

G. Notes to the Principal Financial Statements



Table of Contents

G1 Notes Supporting the Movement in Reserves Statement

1. Adjustments between Accounting Basis and Funding Basis under Regulations	58
2. Transfers to/from Earmarked Reserves	61

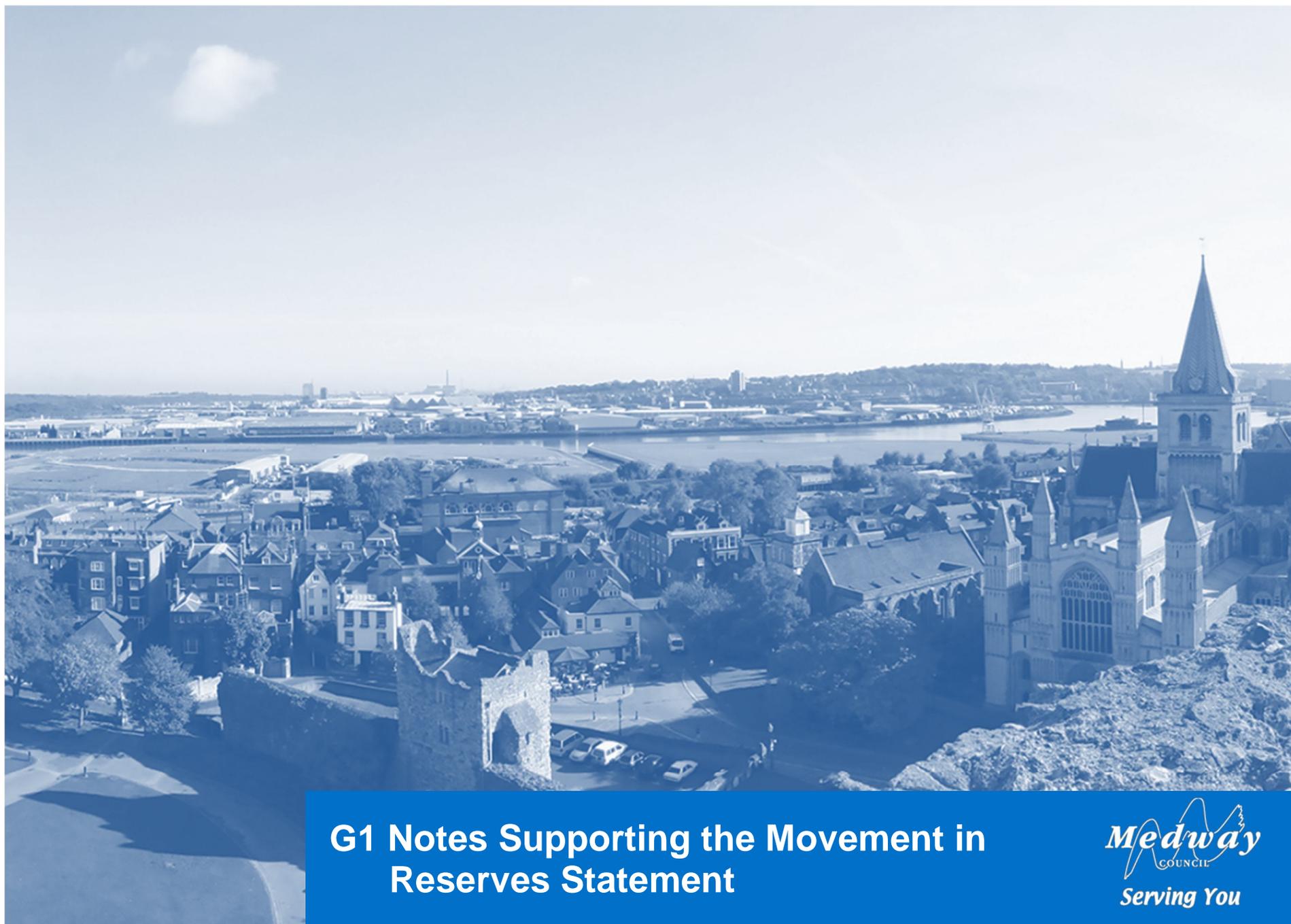
G2 Notes Supporting the Comprehensive Income & Expenditure Statement

3. Other Operating Expenditure	62
4. Financing and Investment Income and Expenditure	63
5. Taxation and Non-Specific Grant income and expenditure	63
6. Amounts Reported for Resource Allocation Decisions	64
Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement	65
Reconciliation to Subjective Analysis.....	66
7. Pooled Budgets.....	67
Better Care Fund (BCF).....	67
8. Members' Allowances	68
9. Officers' Remuneration	69
10. Termination Benefits	72
11. External Audit Costs.....	72
12. Dedicated Schools Grant	72
13. Grant Income.....	73
14. Interests in Companies and Other Entities.....	74
Medway Norse Limited	74
Medway Norse Transport	74

G3 Notes Supporting the Balance Sheet

15. Property, Plant and Equipment.....	76
Capital Commitments	79
Revaluations.....	79
Removal of Schools Transferring to Academies.....	81
16. Impairment Losses	81
17. Heritage Assets.....	82
Heritage Buildings	82
Furniture, Silver/Gold Collections, Art Collection and Other Historical Interest Items	82
18. Heritage Assets: Further Information on the buildings and collections.....	83
Policy on acquiring Heritage Assets for its Museum Service	83
Preservation of Heritage Assets	83
Management of Heritage Assets	84
Disposals of Heritage Assets.....	84
19. Intangible Assets	84
20. Investment Properties	85
21. Assets Held for Sale	86
Fair Value Hierarchy.....	86
Valuation Techniques Used to Determine Level 2 Fair Values for Assets held for Sale.....	86
Highest and Best Use.....	86
22. Financial Instruments.....	87
Fair Value of Assets and Liabilities.....	89
23. Nature and Extent of Risks Arising from Financial Instruments	90
Credit risk	90
Liquidity risk.....	91
Market risk.....	92
Interest rate risk.....	92

Price Risk	93
Foreign Exchange Risk.....	93
24. Capital Expenditure and Capital Financing	94
25. Leases.....	94
Authority as Lessee	94
Authority as Lessor	96
26. Debtors	96
27. Cash and Cash Equivalents	96
28. Creditors.....	97
29. Provisions	97
30. Pension Schemes Accounted for as Defined Contribution Schemes.....	97
31. Usable Reserves (As per the Movement in Reserves Statement)	98
32. Unusable Reserves.....	98
Revaluation Reserve	98
Available for Sale Financial Instruments Reserve	99
Capital Adjustment Account.....	99
Pensions Reserve	100
Financial Instruments Adjustment Account.....	101
Collection Fund Adjustment Account.....	101
Accumulated Absences Account	102
33. Defined Benefit Pension Schemes	102
Participation in Pension Schemes	102
Transactions Relating to Post-Employment Benefits.....	103
Pensions Assets and Liabilities Recognised in the Balance Sheet.....	104
Reconciliation of the Movements in the Fair Value of Scheme (Plan) Assets.....	105
Reconciliation of Present Value of the Scheme Liabilities (Defined Benefit Obligation)	105
Local Government Pension Scheme assets comprised:.....	105
Basis for Estimating Assets and Liabilities.....	106
 <u>G4 Notes Supporting the Cash Flow Statement</u>	
34. Cash Flow Statement – Operating Activities.....	110
35. Cash Flow – Investing Activities	110
36. Cash Flow – Financing Activities	111
 <u>G5 Other Notes</u>	
37. Related Parties	113
Central Government	113
Members.....	113
Officers	114
Other Public Bodies.....	114
Other Public Bodies (subject to common control by Central Government)	114
38. Contingent Liabilities	114
39. Contingent Assets	115
40. Non-adjusting event post reporting period	115



G1 Notes Supporting the Movement in Reserves Statement

Medway
COUNCIL
Serving You

1. Adjustments between Accounting Basis and Funding Basis under Regulations

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

General Fund Balance

The General Fund is the statutory fund into which all the receipts of an authority are required to be paid and out of which all liabilities of the authority are to be met, except to the extent that statutory rules might provide otherwise. These rules can also specify the financial year in which liabilities and payments should impact on the General Fund Balance, which is not necessarily in accordance with proper accounting practice. The General Fund Balance therefore summarises the resources that the Council is statutorily empowered to spend on its services or on capital investment (or the deficit of resources that the Council is required to recover) at the end of the financial year. [For housing authorities – however, the balance is not available to be applied to funding HRA services.]

Housing Revenue Account Balance

The Housing Revenue Account Balance reflects the statutory obligation to maintain a revenue account for local authority council housing provision in accordance with Part VI of the Local Government and Housing Act 1989. It contains the balance of income and expenditure as defined by the 1989 Act that is available to fund future expenditure in connection with the Council's landlord function or (where in deficit) that is required to be recovered from tenants in future years.

Major Repairs Reserve

The Authority is required to maintain the Major Repairs Reserve, which controls an element of the capital resources limited to being used on capital expenditure on HRA assets or the financing of historical capital expenditure by the HRA. The balance shows the capital resources that have yet to be applied at the year-end.

Capital Receipts Reserve

The Capital Receipts Reserve holds the proceeds from the disposal of land or other assets, which are restricted by statute from being used other than to fund new capital expenditure or to be set aside to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied for these purposes at the year-end.

Capital Grants Unapplied

The Capital Grants Unapplied Account (Reserve) holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance is restricted by grant terms as to the capital expenditure against which it can be applied and/or the financial year in which this can take place.

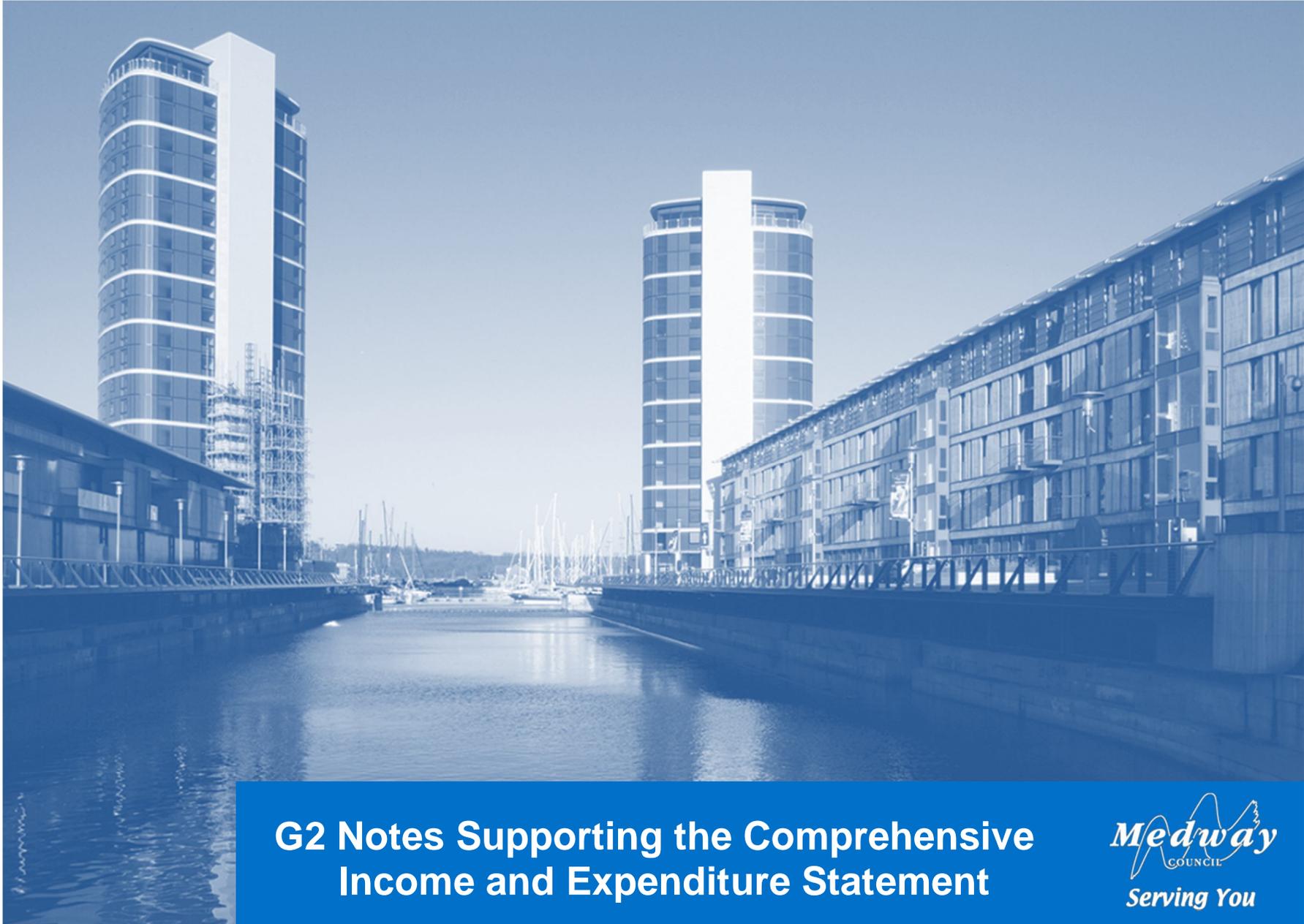
Adjustments for 2015/16	Usable Reserves				
	General Fund Balance	Housing Revenue Account Balance	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000s	£000s	£000s	£000s	£000s
ADJUSTMENTS TO THE REVENUE RESEOURCES					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	9,268	152			
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(196)	12			
Council tax and NDR (transfers to or from Collection Fund)	816				
Holiday pay (transferred to the Accumulated Absences Reserve)	(108)	(2)			
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)					
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	90,818	(16,538)	0	0	(2,422)
Total Adjustments To Revenue Resources	100,598	(16,376)	0	0	(2,422)
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(2,328)	(758)	3,086		
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)					
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	269		(269)		
Posting of HRA resources from revenue to the Major Repairs Reserve		(3,480)		3,480	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(4,424)				
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,030)	(1,368)			
Total Adjustments between Revenue and Capital Resources	(8,514)	(5,605)	2,817	3,480	0
ADJUSTMENTS TO CAPITAL RESEOURCES					
Use of the Capital Receipts Reserve to finance capital expenditure			(4,307)		
Use of the Major Repairs Reserve to finance capital expenditure				(4,150)	
Application of capital grants to finance capital expenditure					(4,319)
Cash payments in relation to deferred capital receipts					
Total Adjustments To Capital Resources	0	0	(4,307)	(4,150)	(4,319)
Total Adjustments 2015/16	92,084	(21,981)	(1,489)	(669)	(6,742)

Adjustments for 2014/2015	Usable Reserves				
	General Fund Balance	Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied
	£000s	£000s	£000s	£000s	£000s
ADJUSTMENTS TO THE REVENUE RESEOURCES					
Amounts by which income and expenditure included in the Comprehensive Income and Expenditure Statement are different from revenue for the year calculated in accordance with statutory requirements:					
Pensions costs (transferred to (or from) the Pensions Reserve)	8,965	171	0	0	0
Financial instruments (transferred to the Financial Instruments Adjustments Account)	(249)	12	0	0	0
Council tax and NDR (transfers to or from Collection Fund)	672	0	0	0	0
Holiday pay (transferred to the Accumulated Absences Reserve)	(18)	3	0	0	0
Equal pay settlements (transferred to the Unequal Pay/Back Pay Account)	0	0	0	0	0
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account):	99,760	1,053	0	0	4,852
Total Adjustments To Revenue Resources	109,131	1,239	0	0	4,852
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:					
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,355)	(1,158)	5,513	0	0
Administrative costs of non-current asset disposals (funded by a contribution from the Capital Receipts Reserve)					
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	235	0	(235)	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	2,985	0	(2,985)	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(7,549)	0	0	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(2,292)	(4,248)	0	0	0
Total Adjustments between Revenue and Capital Resources	(13,961)	(2,421)	5,278	(2,985)	0
ADJUSTMENTS TO CAPITAL RESEOURCES					
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(3,264)	0	0
Use of the Major Repairs Reserve to finance capital expenditure	0	(3,516)	0	3,516	0
Application of capital grants to finance capital expenditure	0	0	0	0	(6,472)
Cash payments in relation to deferred capital receipts					
Total Adjustments To Capital Resources	0	(3,516)	(3,264)	3,516	(6,472)
Total Adjustments 2014/15	95,170	(4,698)	2,014	531	(1,620)

2. Transfers to/from Earmarked Reserves

This note sets out the amounts set aside from the General fund and Housing Revenue Account balances in earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund and Housing Revenue Account expenditure in 2015/16.

	Balance 1 April 2014	Transfers in 2014/2015	Transfers out 2014/2015	Balance 31 March 2015	Transfers in 2015/16	Transfers out 2015/16	Balance 31 March 2016
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Earmarked General Fund Reserves							
School Rev Contributions To Capital	(343)	(66)	0	(409)	(1,036)	748	(696)
Revenue Contributions To Capital C&A	(2,491)	0	227	(2,264)	0	68	(2,196)
Revenue Contributions To Capital RCC	0	0	0	0	(621)	494	(127)
Development Plan Reserve	(220)	(80)	0	(300)	(85)	52	(333)
Provision For Local Election	(605)	(18)	18	(605)	0	391	(213)
Maintenance Of Graves Fund	(21)	0	0	(21)	0	1	(20)
Cremator Repairs Fund	0	(165)	0	(165)	0	0	(165)
Crematorium Gifts Fund	(42)	0	36	(6)	0	0	(7)
Bereavement Services Reserves	(63)	(165)	36	(193)	0	1	(192)
Community Hubs Reserve	(2,000)	0	934	(1,066)	0	201	(864)
Reserve Fund Computer Development	(106)	0	0	(106)	0	0	(106)
Res Fd Gilligham Lighting	0	0	0	0	0	0	0
DSG Reserve	(2,593)	(420)	1,167	(1,846)	0	1,545	(301)
Economic Development Loans Fund	(173)	0	17	(156)	0	8	(149)
Directorate Carry Forwards	(11,160)	(1,103)	3,558	(8,705)	(2,791)	6,339	(5,157)
Collection Fund Holding Account	(1,695)	(5,892)	7,587	0	(3,771)	0	(3,771)
Invest To Save	(148)	0	0	(148)	0	0	(148)
Severance Payments Reserve	(2,676)	0	1,708	(968)	(1,532)	1,363	(1,138)
South Medway Development Res	(4,906)	0	55	(4,851)	0	1,009	(3,842)
Transformation Reserve	(582)	0	262	(320)	0	268	(52)
Salix Repayments	(5)	(97)	29	(73)	(121)	91	(103)
HEE Public Health Grant	0	0	0	0	(1,214)	146	(1,069)
Other Earmarked Reserves	(105)	(69)	49	(125)	(61)	50	(137)
General Reserve							
General Reserve	(3,102)	(1,459)	1,593	(2,968)	(124)	289	(2,804)
Reserves Held by Schools							
Schools Balances	(7,122)	(1,861)	2,706	(6,277)	(1,403)	2,278	(5,402)
Insurance Reserves							
Insurance Fund	(2,464)	(719)	9	(3,174)	0	461	(2,713)
Total Earmarked General Fund Reserves	(42,557)	(11,948)	19,954	(34,551)	(12,759)	15,801	(31,509)
Earmarked HRA Reserves							
HRA IT Reserve	0	(6)	0	(6)	0	0	(6)
Total Earmarked Reserves	(42,557)	(11,954)	19,954	(34,557)	(12,759)	15,801	(31,515)



**G2 Notes Supporting the Comprehensive
Income and Expenditure Statement**



3. Other Operating Expenditure

	2014/15	2015/16
	£'000	£'000
Parish Council Precepts	357	366
Levies	990	1,123
HRA Share of Corporate and Democratic Core	99	0
Payment to the Government Housing Capital receipts Pool	235	269
Gains/losses on disposal of non-current assets	36,677	45,447
Total	38,358	47,205

4. Financing and Investment Income and Expenditure

	2014/15	2015/16
	£'000	£'000
Interest payable and similar charges	11,586	11,475
Net interest on the net defined benefit liability (asset)	8,349	8,619
Interest element of finance leases (lessee)		
Pensions interest costs and expected return on pensions assets	0	0
Other investment expenditure		
Interest receivable and similar income	(3,310)	(3,305)
Income and expenditure in relation to investment properties and changes in their fair value	45	(339)
Other investment income	(487)	(836)
Total	16,183	15,614

5. Taxation and Non-Specific Grant income and expenditure

	2014/15	2015/16
	£000s	£000s
Council tax income	(94,695)	(96,629)
Non-domestic rates income and expenditure	(39,639)	(47,808)
Non-ringfenced government grants	(61,635)	(47,553)
Capital grants and contributions	(23,154)	(9,874)
Total	(219,124)	(201,865)

Shown in the table above are significant movements between 2014/15 and 2015/16 relating to Non-domestic rates income and expenditure and Non-ring fenced government grants. This movement directly reflects the continued reduction in Central Government Support to Local Government arising from austerity measures.

6. Amounts Reported for Resource Allocation Decisions

The analysis of income and expenditure by service on the face of the Comprehensive Income and Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are made by the Authority on the basis of budget reports analysed across directorates. These reports are prepared on a different basis from the accounting policies used in the financial statements. In particular:

- no charges are made in relation to capital expenditure (whereas depreciation, revaluation and impairment losses in excess of the balance on the Revaluation Reserve, amortisations are charged to services in the Comprehensive Income and Expenditure Statement)
- the cost of retirement benefits is based on cash flows (payment of employer's pensions contributions) rather than current service cost of benefits accrued in the year.
- expenditure on support services is budgeted for within the Business Support department.

The income and expenditure of the Authority's directorates recorded in the budget reports for the year is as follows:

Directorate Income and Expenditure 2015/16	Children and Adult Services	Regeneration, Community and Culture	Business Support	Public Health	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(31,217)	(33,393)	(41,907)	(1,587)	(108,104)
Interest and investment income	0	0	(536)	0	(536)
Government grants	(28,633)	(5,638)	(105,318)	(302)	(139,891)
Total Income	(59,850)	(39,031)	(147,761)	(1,888)	(248,531)
Employee expenses	102,257	20,296	22,615	3,405	148,573
Other service expenses	184,853	65,738	120,178	10,242	381,011
Support service recharge	7,526	9,819	10,167	353	27,866
Depreciation, amortisation and impairment	13,498	23,583	1,897	0	38,977
Total Expenditure	308,134	119,436	154,857	14,001	596,428
Net Expenditure	248,284	80,405	7,096	12,112	347,897

Directorate Income and Expenditure 2014/15	Children and Adult Services	Regeneration, Community and Culture	Business Support	Public Health	Total
	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(25,594)	(36,428)	(45,911)	(28)	(107,961)
Interest and investment income	0	0	(160)	0	(160)
Government grants	(20,362)	(1,407)	(109,046)	(181)	(130,996)
Total Income	(45,956)	(37,836)	(155,118)	(208)	(239,117)
Employee expenses	110,495	21,001	24,294	3,387	159,177
Other service expenses	171,913	65,428	126,664	8,377	372,381
Support service recharge	8,010	10,299	12,414	308	31,031
Depreciation, amortisation and impairment	15,368	22,001	1,790	0	39,158
Total Expenditure	305,786	118,729	165,162	12,071	601,748
Net Expenditure	259,830	80,893	10,044	11,863	362,630

Reconciliation of Directorate Income and Expenditure to Cost of Services in the Comprehensive Income and Expenditure Statement

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to the amounts included in the Comprehensive Income and Expenditure Statement.

	2014/15	2015/16
	£'000	£'000
Net expenditure in Directorate analysis	362,630	347,897
Net expenditure of services and support services not included in the Analysis	(1,561)	(582)
Amounts in the Comprehensive Income and Expenditure Statement not reported to management in the Analysis	(98,281)	(135,707)
Amounts included in the Analysis not included in the Comprehensive Income and Expenditure Statement	(99,842)	(136,289)
Cost of Services in Comprehensive Income and Expenditure Statement	262,788	211,608

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of directorate income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income and Expenditure Statement.

2015/16	Directorate Analysis	Services not in Analysis- HRA	Amounts not Reported to Management	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(108,104)	(14,695)	(30)	28,450	(94,379)	(369)	(94,748)
Interest and investment income	(536)	(37)	412	0	(162)	(4,362)	(4,523)
Income from Council tax	0	0	0	0	0	(96,629)	(96,629)
Income from NNDR	0	0	0	0	0	(47,808)	(47,808)
Government grants and contributions	(139,891)	(5)	(135,671)	0	(275,567)	(57,427)	(332,994)
Total Income	(248,531)	(14,738)	(135,289)	28,450	(370,107)	(206,596)	(576,703)
Employee Expenses	148,573	1,580	1,418	0	151,571	8,619	160,190
Interest Expense	0	0	0	0	0	11,609	11,609
Other service expenses	381,011	8,512	8,273	0	397,797	86	397,883
Support service recharge	27,866	584	0	(28,450)	0	0	0
Depreciation, amortisation and revaluations	38,977	3,480	(10,739)	0	31,719	31	31,749
Precepts and levies	0	0	0	0	0	1,489	1,489
Payments to Housing Capital Receipts Pool	0	0	342	0	342	269	611
Gain or loss on disposal of fixed assets	0	0	0	0	0	45,447	45,447
Pension Adjustment	0	0	287	0	287	0	287
Total Expenditure	596,428	14,156	(418)	(28,450)	581,716	67,550	649,265
(Surplus)/Deficit on the provision of services	347,897	(582)	(135,707)	0	211,608	(139,046)	72,562

2014/15	Directorate Analysis	Services not in Analysis - HRA	Amounts not Reported to Management	Allocation of Recharges	Net Cost of Services	Corporate Amounts	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Fees, charges & other service income	(107,961)	(14,301)	9,102	31,600	(81,560)	(371)	(81,930)
Interest and investment income	(160)	(35)	(21)	0	(216)	(4,085)	(4,302)
Income from Council tax	0	0	0	0	0	(94,695)	(94,695)
Income from NNDR	0	0	0	0	0	(39,639)	(39,639)
Government grants and contributions	(130,996)	0	(139,458)	0	(270,454)	(84,789)	(355,243)
Total Income	(239,117)	(14,336)	(130,377)	31,600	(352,230)	(223,580)	(575,810)
Employee Expenses	159,177	1,709	1,102	0	161,988	8,349	170,337
Interest Expense	0	0	0	0	0	11,764	11,764
Other service expenses	372,381	6,980	4,302	0	383,664	210	383,873
Support service recharge	31,031	569	0	(31,600)	0	0	0
Depreciation, amortisation and revaluations	39,158	3,516	26,408	0	69,082	415	69,497
Precepts and levies	0	0	0	0	0	1,347	1,347
Payments to Housing Capital Receipts Pool	0	0	0	0	0	235	235
Gain or loss on disposal of fixed assets	0	0	0	0	0	36,677	36,677
Pension Adjustment	0	0	284	0	284	0	284
Total Expenditure	601,748	12,775	32,096	(31,600)	615,018	58,997	674,015
(Surplus)/Deficit on the provision of services	362,630	(1,561)	(98,281)	0	262,788	(164,582)	98,206

7. Pooled Budgets

Better Care Fund (BCF)

The Council operated a Better Care Fund of £17,633k with Medway Clinical Commissioning Group under a s75 arrangement throughout 2015/16. The arrangements for each scheme within the Better Care Fund have been reviewed to determine the appropriate accounting treatment by the Council and Medway CCG. Control of the commissioning arrangements has been key to determining the nature of each scheme within the fund.

This substance of the arrangement, however, is not one of a pooled budget, individual members continue to contract with individual providers without reference to other members and continue to use their own resources of funding. In substance these are neither joint operations nor lead commissioner transactions and not a vehicle for joint commissioning. The conclusion has been reached as both parties have retained the financial risks associated with each of the schemes as existed before the fund was set up.

Better Care Fund (BCF)	2014/15		2015/16	
	£'000	£'000	£'000	£'000
Funding provided through the s75 agreement:				
Medway Council	0		1,479	
Medway CCG	0		16,154	
		0		17,633
Expenditure met from the s75 agreement:				
Medway Council	0		1,479	
Medway CCG	0		16,154	
		0		17,633
Net surplus/(deficit) arising on the pooled budget during the year		0		0

8. Members' Allowances

The Authority paid the following amounts to members of the Council during the year:

	2014/15	2015/16
	£000	£000
Basic Allowance	471	467
Special Responsibility Allowance	258	251
Expenses	5	4
	734	722
National Insurance	41	40
Total	775	762

Medway Council is comprised of 55 Members. In 2015/16 75 Members were entitled to claim allowances, this includes 20 Councillors whose term of office ended in May 2015 and 55 current Councillors.

Full details can be found on the Council's website from the link:

<http://www.medway.gov.uk/councilanddemocracy/councillors/membersallowances.aspx>

9. Officers' Remuneration

The remuneration paid to the Authority's senior employees during 2015/16 is as follows:

Post	Salaries, Fees and Allowances	Expenses	Total Excluding Pension Contribution	Pension Contribution	Total
	£		£	£	
Chief Executive (Neil Davies)	155,967	0	155,967	27,124	183,091
Director of Children & Adult Services	129,612	79	129,691	22,460	152,151
Director of Regeneration, Community & Culture - left 21.6.2015	29,603	0	29,603	5,134	34,737
Director of Regeneration, Community & Culture - appointed 22.6.2015	88,020	0	88,020	15,132	103,152
Director of Public Health - left 29.2.16	133,809	1,958	135,767	16,380	152,147
Director of Public Health - appointed 1.3.2016	13,904	0	13,904	1,988	15,892
Deputy Director Customer Contact, Leisure, Democracy & Governance - left 21.6.2015	22,285	0	22,285	3,891	26,176
Assistant Director Communications, Performance & Partnerships	93,380	15	93,395	15,772	109,167
Chief Finance Officer	90,731	22	90,753	14,852	105,605
Deputy Director - Children & Adult Services	93,802	0	93,802	16,334	110,136
Assistant Director Legal & Corporate Services	84,977	0	84,977	14,719	99,696

Comparative figures for 2014/15 are as follows:

Post	Salaries, Fees and Allowances	Expenses Allowances	Total Excluding Pension Contribution	Pension Contribution	Total
	£	£	£	£	£
Chief Executive (Neil Davies)	155,037	150	155,187	26,962	182,149
Director of Children & Adult Services	129,136	144	129,280	22,381	151,661
Director of Regeneration, Community & Culture	131,136	152	131,288	22,747	154,035
Director of Public Health	145,974	1,867	147,841	17,495	165,336
Deputy Director Customer Contact, Leisure, Democracy & Governance	98,606	0	98,606	17,218	115,824
Assistant Director, Front Line Services	90,340	0	90,340	15,705	106,046
Assistant Director Communications, Performance & Partnerships	93,530	83	93,613	15,705	109,319
Chief Finance Officer (left 28.02.2015)	93,964	0	93,964	16,438	110,402
Chief Finance Officer (started 01.03.2015)	7,516	0	7,516	1,307	8,822
Assistant Director Organisational Services	91,489	48	91,537	15,762	107,298
Assistant Director Inclusions (left 15.06.2014)	20,040	0	20,040	2,999	23,039
Deputy Director - Children & Adult Services (left 26.10.2014)	56,259	0	56,259	9,824	66,084
Deputy Director - Children & Adult Services (started 16.03.2015)	4,010	0	4,010	698	4,709
Assistant Director Housing & Regeneration	92,688	99	92,788	15,705	108,493
Assistant Director Legal & Corporate Services	82,185	0	82,185	14,213	96,398
Assistant Director Partnership Commissioning	79,021	82	79,103	13,634	92,737
Assistant Director Childrens Care	83,326	0	83,326	14,422	97,748

The Council's other employees receiving more than £50,000 remuneration for the year (excluding employer's pension contributions) were paid the following amounts:

Remuneration Band	Number of Employees			
	Schools		Non-Schools	
	2014/15	2015/16	2014/15	2015/16
£50,000 to £54,999	24	16	22	31
£55,000 to £59,999	14	18	14	14
£60,000 to £64,999	15	13	25	20
£65,000 to £69,999	11	7	6	12
£70,000 to £74,999	5	5	3	3
£75,000 to £79,999	5	4	0	2
£80,000 to £84,999	4	1	0	1
£85,000 to £89,999	0	2	0	0
£90,000 to £95,999	0	1	0	2
£95,000 to £99,999	1	0	1	1
£100,000 to £104,999	1	1	0	0
£105,000 to £109,999	0	0	0	1
£110,000 to £114,999	0	0	0	0
£115,000 to £119,999	0	0	0	0
£120,000 to £124,999	1	1	0	0
Total	81	69	71	87

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 £		
	2015/16	2015/16			2015/16			2015/16		
	Total	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total
£0 - £20,000	13	16	47	63	16	60	76	70,875	360,314	431,189
£20,001 - £40,000	1	1	4	5	1	5	6	25,000	136,786	161,786
£40,001 - £60,000	0	0	3	3	0	3	3	0	141,621	141,621
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0
Total	14	17	54	71	17	68	85	95,875	638,721	734,596

The total cost of £0.735m in the table above for exit packages has been charged to the Authority's Comprehensive Income and Expenditure Statement in the current year.

Exit package cost band (including special payments)	Number of compulsory redundancies	Number of other departures agreed			Total number of exit packages by cost band			Total cost of exit packages in each band £		
	2014/15	2014/15			2014/15			2014/15		
	Total	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total
£0 - £20,000	79	1	6	7	21	65	86	102,755	438,521	541,276
£20,001 - £40,000	7	0	5	5	2	10	12	48,301	283,506	331,807
£40,001 - £60,000	1	0	1	1	0	2	2	0	109,354	109,354
£60,001 - £80,000	0	0	2	2	0	2	2	0	150,647	150,647
£80,001 - £100,000	1	0	1	1	0	2	2	0	169,409	169,409
£100,001 - £150,000	0	0	1	1	0	1	1	0	146,100	146,100
£150,001 - £200,000	0	0	1	1	0	1	1	0	155,500	155,500
Total	88	1	17	18	23	83	106	151,056	1,453,035	1,604,091

The total cost of £1.604m in the table above for exit packages was charged to the Authority's Comprehensive Income and Expenditure Statement in during 2014/15.

10. Termination Benefits

During the year the Council terminated the contracts of a number of employees across a range of services. The Council incurred liabilities of £734,596 (2014/15 £1,604,091) in respect of redundancy, payment in lieu of notice and added years pension costs - see note 9 for the number of exit packages and total cost per band.

11. External Audit Costs

The Authority has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and statutory inspections and to non-audit services provided by the Authority's external auditors:

	2014/15 £'000	2015/16 £'000
Fees payable to BDO with regard to external audit services carried out by the appointed auditor for the year	190	142
Fees payable to BDO for the certification of grant claims and returns for the year	12	10
Fees payable in respect of other services provided by BDO during the year	0	7
Total	202	159

12. Dedicated Schools Grant

The Authority's expenditure on schools is funded primarily by grant monies provided by the Department for Education, through the Dedicated Schools Grant (DSG). An element of DSG is recouped by the Department for Education to fund academy schools in the Medway area. DSG is ring-fenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance (England) Regulations 2011. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget (ISB), which is divided into a budget share for each maintained school.

During 2015/16 the Council incurred an overspend of £1.545m on DSG funded services. After taking account of the surplus of £3.845m brought forward from 2014/15, £301m was carried forward to 2016/17.

Details of the deployment of DSG receivable for 2015/16 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total £'000
Final DSG for 2015/16 before Academy recoupment			212,024
Less: Academy figure recouped for 2015/16			(104,665)
Total DSG after Academy recoupment for 2015/16			107,359
Plus: Brought forward from 2014/15			3,845
Less: Carry forward agreed in advance			(178)
Agreed initial budgeted distribution in 2015/16	4,227	106,799	111,026
In year adjustments	148	0	148
Final budget distribution in 2015/16	4,375	106,799	111,174
Less: Actual central expenditure	(3,573)		(3,573)
Less: Actual Individual Schools Budget deployed to schools		(105,478)	(105,478)
Plus: Local authority contribution for 2015/16	0	0	0
Carry forward to 2016/17	802	1,321	2,123
Less: Agreed transfer to capital earmarked reserves.			(2,000)
Add: Carry forward to 2016/17 agreed in advance			178
Total Carry forward to 2016/17	802	1,321	301

13. Grant Income

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2015-16.

	2014/15	2015/16
	£'000	£'000
Credited to Taxation and Non Specific Grant Income		
<u>Department for Communities and Local Government</u>		
- Formula Grant / Revenue Support Grant	52,391	38,784
- Council Tax Support New Burdens Funding	162	0
- Inshore Fisheries Conservation Authorities Grant	33	32
- New Homes Bonus	5,605	6,226
<u>Department for Education</u>		
- Education Support Grant	3,187	2,326
<u>Department for Environment, Food and Rural Affairs</u>		
- Lead Local Flood Authorities Grant	77	51
<u>Department of Health</u>		
- Healthwatch Grant	180	134
Recognition of Capital Grants and Contributions	23,154	9,874
Total	84,788	57,427
Credited to Services		
<u>Cabinet Office</u>		
- Cabinet	630	319
<u>Department for Culture, Media & Sport</u>		
- DCMS Other	93	247
<u>Department for Education</u>		
- Dedicated Schools Grant	116,068	107,359
- Pupil Premium Grant	6,879	5,906
- Education Funding Agency	494	0
- Sixth Form Grant	1,214	616
- DFE Other *	5,303	6,076
<u>Department of Health</u>		
- Public Health Grant	14,280	15,762
- DoH Other	264	1,358
<u>Department for Communities and Local Government</u>		
- Tax Collection & Benefit Administration	289	283
- Housing Benefit Administration	1,863	1,282
- Benefit Subsidy	104,190	100,667
- DCLG Other	1,027	7,993
<u>Department for Environment, Food and Rural Affairs</u>		
- DEFRA Other	0	76
<u>Department of Transport</u>		
- DoT Other	208	234
<u>Department for Work & Pensions</u>		
- DWP Other	848	126
<u>Home Office</u>		
- HO Other	72	74
<u>Ministry of Justice</u>		
- Contributions from the Youth Justice Board	590	525
- MoJ Other	107	109
<u>Department for Business, Innovation & Skills</u>		
- Skills Funding Agency	1,961	1,848
Other Miscellaneous Grants	2,241	996
Contributions from NHS Partners	9,436	17,439
Contributions from Other Local Authorities	1,437	1,154
Miscellaneous Contributions	959	486
Recognition of Capital Grants and Contributions	0	4,632
Total	270,454	275,567

The Authority has received a number of grants, contributions or donations that have yet to be recognised as income as they have conditions attached to them that will require the monies to be returned to the giver. The balances at the year end are as follows:

Current Liabilities	31/03/2015	31/03/2016
	£'000	£'000
Capital Grants Receipts in Advance (Capital Grants)		
Applicable Section Agreements	7,569	7,440
Total	7,569	7,440

14. Interests in Companies and Other Entities

Local Authorities must consider all their interests in entities and prepare a full set of group financial statements where they have material interests in subsidiaries, associates or joint ventures. Before group accounts can be produced the following actions need to be carried out:

- Determine whether the Authority has any form of interest in an entity
- Assess the nature of the relationship between the Authority and the entity
- Determine the grounds of materiality whether group accounts should be prepared

Having considered the accounting requirements and the Authority's involvement with all companies and organisations, Group Accounts have not been prepared.

Medway Norse Limited

Medway Norse Limited provides a package of services including Corporate Cleaning, Building Maintenance, Security Services, Window Cleaning, Printing Services and Catering.

The Board of Medway Norse Ltd. consists of five directors. Two directors are appointed by Medway Council. Under a Service agreement Medway Council receives a discount on the cost of services supplied to the Authority equivalent to 50% of the operating profit of the Company.

Under IFRS 11 the relationship between Medway Council and Medway Norse Ltd is a joint venture. We have, therefore, included under cost of services, the costs charged by Medway Norse net of rebate in the Income and Expenditure Account and have included the investment at cost plus post acquisition reserves in the Balance Sheet.

Medway Norse Transport

Medway Norse Transport, provides transport services to the Council. The Authority's relationship with Medway Norse Transport is identical to that with Medway Norse Ltd.

The Authority owns 20% of the share capital of Medway Transport. Under a Service Agreement Medway Council receives a discount on the cost of services supplied to the Authority equal to 50% of the operating profit of the Company.

Under IFRS 11 the relationship between Medway Council and Medway Norse Transport is a joint venture. We have, therefore, included under cost of services, the costs charged by Medway Norse Transport net of rebate in the Income and Expenditure Account and have included the investment at cost plus post acquisition reserves in the Balance Sheet.



G3 Notes Supporting the Balance Sheet



15. Property, Plant and Equipment

The Authority categorises its operational property, plant and equipment into a number of sub categories, namely council dwellings, other land and buildings, vehicles, plant, and equipment, infrastructure assets and community assets. There are two categories of non operational property, plant and equipment, namely assets under construction and surplus assets. The following table shows the gross carrying amount and the accumulated depreciation at the beginning and end of the reporting period and summarises the movement in fair value over the year for each sub category of property, plant and equipment:

Movements on Balances 2015/16	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2015	112,223	512,245	14,861	295,295	7,912	150	732	943,418
Additions	4,129	4,542	555	12,258	40	0	10,985	32,509
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	15,278	0	0	(16)	0	0	15,262
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	17,151	(17,722)	0	0	102	0	0	(469)
Derecognition – disposals	(443)	(53,203)	(644)	(1)	(30)	0	0	(54,320)
Derecognition - embedded leases			(477)					(477)
Transfers between asset categories	628	399	47	40	(262)	(150)	(702)	0
As at 31 March 2016	133,687	461,538	14,343	307,592	7,746	0	11,015	935,923
Accumulated Depreciation and Impairment								
As at 1 April 2015	0	(32,699)	(4,686)	(147,811)	(12)	0	0	(185,207)
Depreciation written out to the Revaluation Reserve	0	7,961	0	1	0	0	0	7,962
Depreciation written out to the Surplus//Deficit on the Provision of Services	3,231	7,974	0	0	0	0	0	11,205
Impairment losses/(reversals) recognised recognised in the Surplus/Deficit on the Provision of Services	0	2	0	0	0	0	0	2
Derecognition – disposals	12	5,777	548	0	0	0	0	6,337
Derecognition - embedded leases			432					432
Transfers between asset categories	0	(0)	(1)	0	1	0	0	(0)
At 31 March 2016	0	(30,118)	(5,755)	(165,493)	(11)	0	0	(201,377)

Net Book Value	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
At 31 March 2016	133,688	431,421	8,588	142,100	7,735	0	11,015	734,548
At 31 March 2015	112,223	479,546	10,175	147,484	7,901	150	732	758,210

Movements on Balances 2014/2015	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
As at 1 April 2014	106,418	576,268	14,909	285,216	10,378	150	4,204	997,543
Additions	5,437	11,797	1,108	9,840	74		732	28,986
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	8,467	0	288	5,119	0	0	13,874
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(145)	(44,762)	0	0	(1,411)	0	0	(46,318)
Derecognition – disposals	(684)	(47,633)	(603)	(51)	0	0	0	(48,971)
Derecognition - embedded leases	0	0	(1,696)	0	0	0	0	(1,696)
Transfers between asset categories	1,198	8,109	1,143	2	(6,249)		(4,204)	0
As at 31 March 2015	112,223	512,245	14,861	295,295	7,912	150	732	943,418
Accumulated Depreciation and Impairment								
As at 1 April 2014	0	(45,018)	(4,113)	(130,334)	(54)	0	0	(179,519)
Depreciation charge	(3,216)	(19,654)	(2,066)	(17,477)	0	0	0	(42,413)
Depreciation written out to the Revaluation Reserve	0	7,129	0	0	29	0	0	7,158
Depreciation written out to the Surplus//Deficit on the Provision of Services	3,252	16,193	0	0	5	0	0	19,450
Impairment losses/(reversals) recognised recognised in the Surplus/Deficit on the Provision of Services	0	438	0	0	0	0	0	438
Derecognition – disposals	18	8,160	603	0	0	0	0	8,781
Derecognition - embedded leases	0	0	898	0	0	0	0	898
Transfers between asset categories	(54)	54	(8)	0	8	0	0	0
At 31 March 2015	0	(32,699)	(4,686)	(147,811)	(12)	0	0	(185,207)

Net Book Value	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Infrastructure Assets	Community assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
At 31 March 2015	112,223	479,546	10,175	147,484	7,901	150	732	758,210
At 31 March 2014	106,418	531,250	10,796	154,882	10,324	150	4,204	818,024

Capital Commitments

As at 31 March 2016 the only significant contractual commitment (in excess of £4 million) that the Authority had outstanding related to a contract with Neilcott Construction in relation to the construction of a new building for Danecourt special school. As at 31 March 2015, the outstanding liability against this contract was to £7.090 million with construction expected to finish in December 2016.

Revaluations

The Authority carries out a rolling programme which ensures that all relevant Property, Plant and Equipment required to be measured at fair value is revalued at least every five years. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the Valuation - Professional Standards of the Royal Institution of Chartered Surveyors by internal RICS Registered Valuers with at least 10 years' experience of the local property market. If the revaluation of a specific asset results in a material change in value, an exercise is undertaken to establish whether the change is specific to that asset or could affect the whole asset class. If the material change cannot be identified as specific to that asset, then a review of the whole of that class, e.g. "Car Parks", will be undertaken to ensure that the fair value of that asset class held within the balance sheet at the end of the reporting period is not materially misstated.

Valuations of vehicles, plant and equipment are based on current prices where there is an active second-hand market or, if not, latest list prices adjusted for the condition of the asset.

The following table shows the progress of the authority's rolling programme for the revaluation of property, plant and equipment:

Rolling Programme for the Revaluation of Property, Plant & Equipment							
	Council Dwellings	Other Land and Buildings	Vehicles, Plant and Equipment	Infrastructure Assets	Community Assets	Surplus Assets	Assets Under Construction
	£000	£000	£000	£000	£000	£000	£000
Valued at historical cost	0	5,760	14,343	272,467	7,281	0	11,015
Valued at fair value during the year ending:							
31 March 2016	133,688	146,802	0	0	150	0	0
31 March 2015	0	157,306	0	266	0	0	0
31 March 2014	0	38,535	0	0	0	0	0
31 March 2013	0	47,378	0	0	0	0	0
31 March 2012	0	57,212	0	0	0	0	0
31 March 2011	0	465	0	0	0	0	0
Capital expenditure on assets not revalued since the capital expenditure was incurred	0	8,081	0	34,860	316	0	0
Total	133,688	461,539	14,343	307,593	7,747	0	11,015

The significant assumptions applied in estimating the fair values for land and buildings are:

Inspections

In accordance with the relaxations agreed between the RICS and CIPFA, not all properties are inspected. This is neither practical nor considered necessary for the purpose of this revaluation.

Information

In instances where reliance is placed on information provided by other Departments within Medway Council valuations are dependent on the accuracy of the information supplied and/or the assumptions made.

Title

All assets are assumed to have good title, with no unusual or onerous restrictions, encumbrances or outgoing.

Planning and highway proposals

No formal written enquiries are made of the Planning and Highway Authorities to ascertain if there are any proposals likely to affect specific properties. Reliance is placed on free-of-charge publicly available information and, unless informed otherwise, it is assumed that each asset has direct access onto a public highway and that there are no planning or highway proposals that directly affect the asset.

Construction and state of repair

No structural survey or test of any service installations is undertaken.

Where properties are inspected, those parts of the property that are covered, unexposed or inaccessible are assumed to be in good repair and condition. The valuers cannot express an opinion about, or advise on, the condition of uninspected parts and the valuations should not be taken as making any implied representation or statement about such parts.

No allowances have been made for rights, obligations or liabilities arising from the Defective Premises Act 1972.

It is assumed all properties comply with the Equality Act 2010.

Unless the valuers are aware that a building has a limited economic life, or this is clear from inspection, properties will be assumed to be in a reasonable standard of repair and that all reasonable internal and external repairs and maintenance have been carried out.

Deleterious or hazardous substances

No investigation is carried out to determine whether or not any deleterious or hazardous materials have been used in the construction of property assets or has since been incorporated. Valuers are therefore unable to report that the properties are free from risk in this respect.

For the purpose of this valuation it is assumed that such investigation will not disclose the presence of any such material in any adverse conditions.

Environmental Assessment

No investigation is undertaken into past or present uses of the properties, or of any neighbouring land, to establish whether there is any potential for contamination. It is therefore assumed, unless stated otherwise, that no contaminative or potentially contaminative uses, underground mining, or other engineering works have ever been carried out on or adversely affects these properties.

It is assumed, unless stated otherwise, that there has been no recent flooding affecting these assets and that inclusion on any map identifying possible flood occurrences will have no effect on value.

Plant and machinery

Plant and machinery installed to provide services normally expected with that type or quality of building or land holding has been valued as an integral part of the asset unless the plant and machinery element has been identified as forming a significant proportion of the overall value of the asset.

Plant and machinery primarily serving a commercial or industrial process has been excluded.

VAT, taxation and costs of realisation

No allowance has been made for liability for taxation, which may arise on disposal, whether actual or notional. VAT and Capital Gains Tax are specifically excluded and no deductions have been made for any potential realisation costs.

Lotting

Lotting occurs if a number of individual assets are packaged and sold simultaneously. No allowance or discount has been made for any 'flooding' of the market which might in practice occur in this instance. All reported values assume each property is disposed of separately.

Removal of Schools Transferring to Academies

Schools with a value of £15.67m (2014-15 £26.89m) have achieved academy status between 01 April 2015 and 31 March 16 and therefore have been removed from the balance sheet for the 2015/16 financial statements. A further £26.9m has also been removed from the Balance Sheet in 2015/16 relating to a school that had converted to an Academy in a previous year. In addition, there are likely to be existing schools with a value of 19.2m (2014-145 £2.99m) that will achieve academy status between 01 April 2016 and 31 March 2017. Two newly built academies with a value of £54m are expected to be removed from the balance sheet during 2016/17.

16. Impairment Losses

During 2015/16, the Authority has recognised no impairment losses within property, plant and equipment (£341,200 in 2014/15).

17. Heritage Assets

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

	Buildings	Furniture	Silver / Gold Collections	Art Collection	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
1 April 2014	10,148	269	1,163	1,213	2,457	15,249
Additions	61	0	0	0	0	61
Impairment (Losses)/reversals recognised in the Revaluation Reserve	244				1	245
Impairment (Losses)/reversals recognised in Surplus or Deficit on the Provision of Services				(175)		(175)
31 March 2015	10,452	269	1,163	1,038	2,458	15,380
Cost or Valuation						
1 April 2015	10,452	269	1,163	1,038	2,458	15,380
Additions	244	0	0	0	0	244
Revaluations	(32)	0	156	29	74	226
31 March 2016	10,664	269	1,318	1,066	2,532	15,850

Heritage Buildings

Those buildings which have been classified to Heritage are:

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

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

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

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

Furniture, Silver/Gold Collections, Art Collection and Other Historical Interest Items

The collection of fire arms held at the Guildhall Museum was revalued in February 2016 as a continuation of a rolling programme of revaluations that take place over a rolling five year programme for non-building assets. The valuation was undertaken by Culvertons on an insurance basis in accordance Authority policy. The majority of the Authority's heritage assets are held at the Guildhall Museum. There are also a number of items held at Eastgate House.

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

Art Collections include the "Marble Bust of a draped female" by Artiste Fontano of Carrara, 1887 and an oil painting of "Return from the Valley of Death".

Other historical interest items include:

- Civic Regalia
- Collection Romano – British Pottery
- Collection of personal relics of Charles Dickens
- Rochester Riverside Eye Interactive
- Models and showcases held at various sites
- Pounder Cannons at Gun Wharf

18. Heritage Assets: Further Information on the buildings and collections

Policy on acquiring Heritage Assets for its Museum Service

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

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

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

Preservation of Heritage Assets

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

Management of Heritage Assets

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

Disposals of Heritage Assets

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

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

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

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

19. Intangible Assets

The Authority accounts for its software as intangible assets, to the extent that the software is not an integral part of a particular IT system and accounted for as part of the hardware item of Property, Plant and Equipment. The intangible assets include both purchased licenses and internally generated software.

All software is given a finite useful life, based on assessments of the period that the software is expected to be of use to the Authority. The useful lives assigned to the major software suites used by the Authority are:

Useful Life	Internally Generated Assets	Other Assets
3 Years	None	None
5 Years	None	Better For Less CRM System Better For Less Mobile Working System Better For Less Document Management System Integrated Care Management System Mobile Working Software Digitalisation Software
7 Years	None	Thin Client Software

The carrying amount of intangible assets is amortised on a straight-line basis. The Digitalisation Software was not levied with amortisation during 2015/16 in line with the accounting policies of the Authority.

The amortisation of £637,000 has been charged to Non-Distributed Costs (£499,000) and Adult Social Care (£138,000).

The movement on Intangible Asset balances during the year is as follows:

	2014/15		2015/16	
	Other Assets £'000	Total £'000	Other Assets £'000	Total £'000
Balance at start of year:				
Gross carrying amounts	2,009	2,009	2,112	2,112
Accumulated amortisation	(348)	(348)	(938)	(938)
Net carrying amount at start of year	1,661	1,661	1,175	1,175
Purchases	103	103	726	726
Amortisation for the period	(589)	(589)	(637)	(637)
Net carrying amount at end of year	1,175	1,175	1,264	1,264
Comprising:				
Gross carrying amounts	2,112	2,112	2,838	2,838
Accumulated amortisation	(937)	(937)	(1,574)	(1,574)
	1,175	1,175	1,264	1,264

20. Investment Properties

The following items of income and expense have been accounted for in the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement:

Investment properties	2014/2015 £'000	2015/2016 £'000
Rental income from investment property	369	369
Direct operating expenses arising from investment property	0	0
Net gain/(loss)	369	369

There are no restrictions on the Authority's ability to realise the value inherent in its investment property or on the Authority's right to the remittance of income and the proceeds of disposal. The Authority has no contractual obligations to purchase, construct or develop investment property or repairs, maintenance or enhancement.

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

Investment Properties	31 March 2015 £'000	31 March 2016 £'000
Balance at start of year	6,865	6,450
Additions	0	400
Disposals	0	
Net gains/(loss) from fair value adjustments	(415)	(31)
Balance at end of year	6,450	6,819

Fair Value Hierarchy

All the Council's investment properties have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (See Note 15 in the Statement of Accounting Policies for an explanation of the fair value levels).

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

The fair value of investment property has been measured using a market approach, which takes into account prices for similar assets, existing lease terms and rentals, research into market evidence including market rentals and yields, the covenant strength for existing tenants and data and market knowledge gained in managing the Council's Investment Asset portfolio has also been used. As a result properties have been categorised as level 2 on the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

Highest and Best Use

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

21. Assets Held for Sale

	Current		Non-Current	
	2014/15 £'000	2015/16 £'000	2014/15 £'000	2015/16 £'000
Balance Outstanding at start of year	2,900	900	0	0
Assets sold	(2,000)	(550)	0	0
Balance Outstanding at year end	900	350	0	0

Fair Value Hierarchy

All the Council's assets held for sale have been value assessed as Level 2 on the fair value hierarchy for valuation purposes (See Note 15 in the Statement of Accounting Policies for an explanation of the fair value levels).

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

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

Highest and Best Use

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

22. Financial Instruments

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

Categories of Financial Instruments	Long-term		Current	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Investments				
Loans and Receivables	19,733	19,733	0	0
Available for sale financial assets	4	2,823	0	0
Total Investments	19,737	22,556	0	0
Debtors				
Loans and Receivables	155	158	24,378	30,540
Total Debtors	155	158	24,378	30,540
Borrowings				
Financial liabilities at amortised cost	(164,729)	(171,526)	(1,277)	(9,271)
Total Borrowings	(164,729)	(171,526)	(1,277)	(9,271)
Creditors				
Financial liabilities at amortised cost	(38,695)	(37,158)	(31,478)	(28,918)
Total Creditors	(38,695)	(37,158)	(31,478)	(28,918)

Financial Instruments held for less than 3 months are classified as Cash and Cash Equivalents. Please see note 27.

Income, Expenses, gains and Losses

	2014/2015					2015/2016				
	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total	Financial Liabilities measured at amortised cost	Financial Assets: Loans and receivables	Financial Assets: Available for sale	Assets and Liabilities at Fair Value through Profit and Loss	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Interest expense	(11,448)	0	0	0	(11,448)	(11,475)	0	0	0	(11,475)
Total expense in Surplus or Deficit on the Provision of Services	(11,448)	0	0	0	(11,448)	(11,475)	0	0	0	(11,475)
Interest income	0	2,963	0	0	2,963	0	3,181	0	0	3,181
Total income in Surplus or Deficit on the Provision of Services	0	2,963	0	0	2,963	0	3,181	0	0	3,181
Net gain/(loss) for the year	(11,448)	2,963	0	0	(8,485)	(11,475)	3,181	0	0	(8,294)

Fair Value of Assets and Liabilities

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

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

The fair values calculated are as follows:

	31 March 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Financial liabilities	197,484	230,166	209,715	206,979
Long-term Creditors	38,695	38,695	37,158	37,158

The fair value of financial liabilities is lower than the carrying amount for both years because the Authority's portfolio of loans includes a number of fixed rate loans where the interest rate payable is lower than the rates available for similar loans in the market at the balance sheet date.

	31 March 2015		31 March 2016	
	Carrying Amount £'000	Fair Value £'000	Carrying Amount £'000	Fair Value £'000
Loans and receivables	24,378	24,378	30,540	50,777
Long-term debtors	19,848	19,848	158	158

The carrying amount of financial assets match their fair values as the interest rates receivable are the same as rates at the balance sheet dates for similar investments.

23. Nature and Extent of Risks Arising from Financial Instruments

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

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

The Authority follows the requirements of the Local Government Act 2003 and CIPFA's Code of Practice on Treasury Management. The Authority's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by a central treasury team, under policies approved annually by Medway Council in its Treasury Management Strategy. Medway Council provides written principles for overall risk management, as well as written policies covering specific areas, such as interest rate risk, credit risk, and the investment of surplus cash.

Credit risk

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

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

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

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

The full investment strategy for 2015/16 was approved by full Council on 26/02/15 and the 2016/17 strategy was approved on 25/02/16. Both are available on the Authority's website.

Customers for goods and services are assessed, taking into account their financial position, past experience and other factors, with individual credit limits being set in accordance with internal ratings and in accordance with parameters set by the Authority.

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

	Amount at 31 March 2016	Historical experience of default	Estimated maximum exposure to default and uncollectability
	£'000	%	£'000
Deposits with banks and financial institutions*	21,357	0.00	0
Customers	12,432	17.57	2,184
Total	33,789		2,184

* This is made up of the following:	Amount at 31 March 2016
	£'000
Barclays	1,568
Handlesbanken	40
Lloyds	13
Santander	3
Other Local Authorities	19,733
Total	21,357

The Authority does not generally allow credit for customers, such that £10.053 million of the £12.432 million balance is past its due date for payment. The past amount can be analysed by age as follows:

	£'000
Less than three months	1,619
Three to six months	1,609
Six months to one year	1,636
More than one year	5,189
Total	10,053

The Authority provision for bad debts stood at £2.184m at 31 March 2016 (£1.995m at 31 March 2015). The provision is calculated by applying the aged debt analysis and applying percentages to agreed categories of debt.

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

Liquidity risk

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

	Lower Limit	Upper Limit	Actual 31/03/15	Actual 31/03/16
	%	%	%	%
24 months and within 5 years	0	50	1.23	4.31
5 years and within 10 years	0	50	7.70	4.62
10 years and above	0	100	91.07	91.07

Included within liabilities with maturity in over 10 years are £101.8m of LOBOs (Lender Option Borrower Option) loans. The LOBOs have maturity dates between 2033 and 2068 but the Authority could be required to make early repayment at the lender's option.

The maturity analysis of financial liabilities is as follows:

	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	11,737	10,000
Between one and two years	10,404	10,274
Between two and five years	32,711	31,929
More than five years	450,222	447,553
Total Principal and Interest	505,074	499,756

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

	Lower Limit	Upper Limit	Actual 31/03/16
	%	%	%
Under 12 Months	0	75	34.68
12 months and within 24 months	0	50	12.32
24 months and within 5 years	0	50	20.02
5 years and within 10 years	0	50	4.62
10 years and above	0	100	28.35

All trade and other payables are due to be paid in less than one year.

Market risk

The Authority's borrowings and investments could be affected by changes in interest rates, prices or foreign exchange rates.

Interest rate risk

The Authority is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Authority, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Income and Expenditure account will rise
- Borrowings at fixed rates – the fair value of the borrowings will fall (no impact on revenue balances)

- Investments at variable rates – the interest income credited to the Income and Expenditure account will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

Borrowings are not carried at fair value, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund balance, subject to influences from Government grants (i.e. HRA). Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. Current Authority policy is to not exceed a maximum of 40% of borrowings in variable rate loans. The Authority currently has no variable interest rate borrowing or investments. During periods of falling interest rates, and where economic circumstances make it favourable, fixed rate loans will be repaid early to limit exposure to losses. The risk of loss is ameliorated by the fact that a proportion of government grant payable on financing costs will normally move with prevailing interest rates or the Authority's cost of borrowing and provide compensation for a proportion of any higher costs.

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

At 31 March 2016 if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	£000s
Increase in interest payable on variable rate investments	530
Impact on Surplus or Deficit on the Provision of Services	530
Share of overall impact credited to HRA	25

Price Risk

The Authority does not generally invest in equity shares or marketable bonds. It does however has stock a local authority property vehicle at a value of £2.823m (2015/16 £0). The Authority has no exposure to losses arising from movements in the prices of the HM Treasury Stock.

The Stocks are classified as "available for sale" meaning that movement in price will impact on gains and losses in Other Comprehensive Income and Expenditure for 2015/16.

Foreign Exchange Risk

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

24. Capital Expenditure and Capital Financing

The following table shows the total amount of capital expenditure incurred in the year together with the resources used to finance it:

	2014/15 £'000	2015/16 £'000
Capital Investment		
Property Plant and Equipment	28,986	32,509
Heritage Assets	61	244
Investment Properties	0	400
Intangible Assets	103	725
Revenue Expenditure Funded from Capital under Statute	11,962	8,217
Total	41,112	42,096
Sources of Finance		
Capital receipts	(3,264)	(4,307)
Government grants and other contributions	(24,774)	(25,397)
Sums set aside from revenue	(6,540)	(3,398)
Borrowing	(6,535)	(8,994)
Total	(41,112)	(42,096)

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed.

The CFR at 31 March 2016 was £251,965,000 (31 March 2015 £247,819,000).

25. Leases

Authority as Lessee

Finance Leases

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

	31 March 2015 £'000	31 March 2016 £'000
Other Land & Buildings	430	422

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

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

The Authority has finance lease arrangements through "embedded leases". Embedded leases are where assets, although not owned by the Authority, are used primarily by the Authority for service delivery. Embedded leases are contained within our Waste and Highways contracts. Equipment used under our new Ground Maintenance contract no longer meets the requirements of being embedded leases. Where we have not been able to ascertain the value and useful life of the assets, estimates have been used. Assets are recognised in the Balance Sheet at the net depreciated value and offset by a deferred liability.

The assets held through embedded leases are carried as Property, Plant and Equipment in the Balance Sheet at the following net amounts:

	31 March 2015 £'000	31 March 2016 £'000
Vehicles, Plant & Equipment	829	497

The Authority is committed to making minimum payments under these leases comprising settlement of the long-term liability for the interest in the assets acquired and finance costs. The minimum lease payments are made up of the following amounts:

	31 March 2015 £'000	31 March 2016 £'000
Finance lease liabilities (net present value of minimum lease payments):		
• current	261	240
• non-current	240	0
Finance costs payable in future years	154	55
Minimum Lease Payments	655	295

The minimum lease payments will be payable over the following periods

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2015	31 March 2016	31 March 2015	31 March 2016
	£'000	£'000	£'000	£'000
Not later than one year	333	295	261	240
Later than one year and not later than five years	322	0	240	0
	655	295	501	240

Operating Leases

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

	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	1,094	1,023
Later than one year and not later than five years	2,230	1,864
Later than five years	3,174	3,310
Total	6,498	6,197

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

	2014/15 £'000	2015/16 £'000
Minimum Lease Payments	1,540	1,094
Sublease Payments Receivable	(160)	(6)
	1,380	1,088

Authority as Lessor

Operating Leases

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

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

The future minimum lease payments receivable are:

	31 March 2015 £'000	31 March 2016 £'000
Not later than one year	1,165	1,183
Later than one year and not later than five years	2,529	2,365
Later than five years	10,101	9,807
Total	13,795	13,355

The minimum lease payments receivable do not include rents that are contingent on events taking place after the lease was entered into, such as adjustments following rent reviews. In 2015/16; £369,567 contingent rents were receivable by the Authority (2014/15; £339,567).

26. Debtors

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

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	8,633	9,030
Other Local Authorities	1,895	1,931
NHS bodies	6,293	1,779
Public corporations and trading funds	37	0
Bodies external to general government	27,036	25,237
Total Debtors	43,894	37,977

27. Cash and Cash Equivalents

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

	31 March 2015 £'000	31 March 2016 £'000
Cash held by the Authority	25	25
Bank current accounts	15,057	17,523
Bank Overdraft	(18,951)	(20,422)
Short-term deposits with financial institutions	12,668	1,624
Total Cash & Cash Equivalents	8,799	(1,250)

28. Creditors

	31 March 2015 £'000	31 March 2016 £'000
Central government bodies	11,861	6,639
Other Local Authorities	6,465	2,915
NHS bodies	537	237
Public corporations and trading funds	6	65
Bodies external to general government	24,842	25,945
Total Creditors	43,711	35,801

29. Provisions

	Balance as at 31 March 2015 £000s	2015/16				Balance as at 31 March 2016 £000s
		Additional Provisions Made £000s	Amounts Used £000s	Unused Amounts Reversed £000s	Unwinding of Discounting £000s	
Short Term Provisions						
Short Term Provisions	677	0	(127)	0	0	550
NDR Appeals	3025	0	0	252	0	3277
Total	3,701	0	(127)	252	0	3,826
Long Term Provisions						
Insurance Provision	1,186	1673	(1,053)	0	0	1,806
NDR Appeals	4907	0	0	(2,259)	0	2,649
Other Provisions	424	157	(148)	0	0	433
Total	6,518	1,830	(1,201)	(2,259)	0	4,888

The short term provisions relate to the Carbon Reduction Commitment scheme and Public Health infection control.

The NDR appeals provision represents the sum set aside for unsettled claims to the Valuation Office Agency for rateable value reductions.

The Insurance Provision represents the sum set aside for unsettled, known claims as at 31 March 2016 in line with IAS 37. The majority of the unsettled claims are for public liability.

30. Pension Schemes Accounted for as Defined Contribution Schemes

Teachers employed by the Authority are members of the Teachers' Pension Scheme, administered by the Department for Education (DfE). The Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The Scheme is technically a defined benefit scheme. However, the scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. The Authority is not able to identify its share of underlying financial position and performance of the scheme with sufficient reliability for accounting purposes. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

In 2015/16, the Authority paid £5.335m to Teachers Pensions in respect of teachers retirement benefits, representing 14.1% of pensionable pay up to 31 August 2015, then 16.48% of pensionable pay from 1 September 2015. The figures for 2014/15 were £5.567m and 14.1%. There were no contributions remaining payable at year end. The movement in the level of contributions is predominantly due to the number of schools that have converted to Academy status, on or since 1 April 2015. The contributions due to be paid in the next financial year are estimated to be £5.305m.

The Authority is responsible for the costs of any additional benefits awarded upon early retirement outside of the terms of the teachers' scheme. These costs are accounted for on a defined benefit basis and detailed in Note 33.

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

31. Usable Reserves (As per the Movement in Reserves Statement)

Movements in the Council's usable reserves are detailed in the Movement in Reserves Statement.

32. Unusable Reserves

	31 March 2015	31 March 2016
	£'000	£'000
Revaluation Reserve	115,748	132,104
Available for Sale Financial Instruments Reserve	0	(177)
Capital Adjustment Account	417,720	373,554
Pensions Reserve	(270,813)	(320,680)
Financial Instruments Adjustment Account	515	699
Collection Fund Adjustment Account	(4,168)	(4,984)
Accumulated Absences Account	(2,521)	(2,411)
Total Unusable Reserves	256,480	178,105

Revaluation Reserve

The Revaluation Reserve contains the gains made by the Authority arising from increases in the value of its Property, Plant and Equipment. The balance is reduced when assets with accumulated gains are:

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

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

	2014/15	2015/16	
	£'000	£'000	£'000
Balance as at 1 April	105,075		115,748
Upward revaluation of assets	24,737	32,170	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	(3,635)	(8,720)	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	21,102		23,450
Difference between fair value depreciation and historical cost depreciation	(1,883)	(2,367)	
Accumulated gains on assets sold or scrapped	(8,547)	(4,727)	
Amount written off to the Capital Adjustment Account	(10,430)		(7,094)
Balance as at 31 March	115,748		132,104

Available for Sale Financial Instruments Reserve

The Available for Sale Financial Instruments Reserve contains the gains made by the Authority arising from increases in the value of its investments that have quoted market prices or otherwise do not have fixed or determinable payments. The balance is reduced when investments with accumulated gains are:

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

	2014/15	2015/16	
	£'000	£'000	£'000
Balance as at 1 April	0		0
Downward revaluation of investments not charged to the Surplus/Deficit on the Provision of Services	0	(177)	
	0		(177)
Balance as at 31 March	0		(177)

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. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income and Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Authority as finance for the costs of acquisition, construction and enhancement.

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

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

Note 1 provides details of the source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

	2014/15		2015/16	
	£'000		£'000	£'000
Balance as at 1 April		489,131		417,720
• Charges for depreciation and impairment of non-current assets	(42,434)		(42,109)	
• Revaluation movements on Property, Plant and Equipment	(26,377)		10,739	
• Amortisation of Intangible Assets	(589)		(637)	
• Revenue Expenditure funded from Capital Under Statute	(11,962)		(8,217)	
• Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(42,190)		(48,533)	
		(123,552)		(88,757)
Adjusting amounts written out of the Revaluation Reserve	10,430		7,094	
Net written out amount of the cost of non-current assets consumed in the year		10,430		7,095
• Use of Capital Receipts Reserve to finance new capital expenditure	3,264		4,307	
• Use of the Major Repairs Reserve to finance new capital expenditure	4,248		4,149	
• Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	18,302		16,929	
• Application of grants to capital financing from the Capital Grants Unapplied Account	6,472		4,319	
• Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	7,549		4,424	
• Capital expenditure charged against the General Fund and HRA balances	2,292		3,398	
		42,126		37,526
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		(415)		(31)
Balance as at 31 March		417,720		373,554

Pensions Reserve

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

	2014/15 £'000	2015/16 £'000
Balance as at 1 April	(194,517)	(270,813)
Remeasurements of the net defined benefit liability/(asset)	(67,160)	40,447
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	(23,036)	(22,851)
Employer's pensions contributions and direct payments to pensioners payable in the year	13,900	13,431
Balance as at 31 March	(270,813)	(239,786)

Financial Instruments Adjustment Account

The Financial Instruments Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for income and expenses relating to certain financial instruments and for bearing losses or benefiting from gains per statutory provisions. The Authority uses the Account to manage premiums paid on the early redemption of loans. Premiums are debited to the Comprehensive Income and Expenditure Statement when they are incurred, but reversed out of the General Fund Balance to the Account in the Movement in Reserves Statement. Over time, the expense is posted back to the General Fund Balance in accordance with statutory arrangements for spreading the burden on council tax. In the Authority's case, this period is the unexpired term that was outstanding on the loans when they were redeemed. As a result, the balance on the Account at 31 March 2016 will be charged to the General Fund over the next 33 years.

	2014/15	2015/16	
	£'000	£'000	£'000
Balance as at 1 April	278		515
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	237	184	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	237		184
Balance as at 31 March	515		699

Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of Council Tax income in the Comprehensive Income and Expenditure Statement as it falls due from Council Tax payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

	2014/15	2015/16
	£'000	£'000
Balance as at 1 April	(3,496)	(4,168)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income and Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements	(3,687)	(816)
Adjustment to prior period balance	3,015	0
Balance as at 31 March	(4,168)	(4,984)

The balance of £4.984m shown above consists of the following component parts:

	2015/16 £'000
Medway Council Tax Surplus	(934)
Medway Non-Domestic Rate Deficit	5,918
Balance as at 31 March	4,984

Accumulated Absences Account

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

	2014/15	2015/16	
	£'000		£'000
Balance as at 1 April	(2,536)		(2,521)
Settlement or cancellation of accrual made at the end of the preceding year	2,536	2,521	
Amounts accrued at the end of the current year	(2,521)	(2,411)	
Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	15		110
Balance as at 31 March	(2,521)		(2,411)

33. Defined Benefit Pension Schemes

Participation in Pension Schemes

As part of the terms and conditions of employment of its officers, the Authority makes contributions towards the cost of post-employment benefits. Although these benefits will not actually be payable until employees retire, the Authority has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement.

The Authority participates in the Local Government Pension Scheme, administered locally by Kent County Council. This is a funded defined benefit final salary scheme, meaning that the Authority and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2016 and will set contributions for the period from 1 April 2017 to 31 March 2020. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions. On the Employer's withdrawal from the plan, a cessation valuation will be carried out in accordance with Regulation 64 of the LGPS Regulations 2013 which will determine the termination contribution due by the Employer, on a set of assumptions deemed appropriate by the Fund Actuary.

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

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

In addition, as many unrelated employers participate in the Kent County Council Pension Fund, there is an orphan liability risk where employers leave the Fund but with insufficient assets to cover their pension obligations so that the difference may fall on the remaining employers.

All of the risks above may also benefit the Employer e.g. higher than expected investment returns or employers leaving the Fund with excess assets which eventually get inherited by the remaining employers.

Transactions Relating to Post-Employment Benefits

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

	2014/15 £'000	2015/16 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services	14,403	13,945
Service cost comprising:		
• Current service costs		
• Past service costs		
• (gain)/loss from settlements		
Financing and Investment Income and Expenditure		
Net Interest expense	8,349	8,619
Administration expenses	284	287
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of services	23,036	22,851
Other Post Employment benefit charged to the Comprehensive Income and Expenditure Statement		
Remeasurement of the net defined benefit liability comprising:		
• Return on plan assets in excess of interest	(25,032)	9,282
• Actuarial gains and losses arising on changes in demographic assumptions	0	0
• Actuarial gains and losses arising on changes in financial assumptions	92,507	(49,829)
• Experience gain / (loss) on defined benefit obligation	(315)	100
• Other (if applicable)	0	0
Actual Gains and (losses)	67,160	(40,447)
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	90,196	(17,596)
Movement in Reserves Statement		
Reversal of net charges made to the Surplus or Deficit on the Provision of Services for post-employment benefits in accordance with the Code	23,036	22,851
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	13,900	13,431

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	31/03/2015 £'000	31/03/2016 £'000
Present value of the defined benefit obligation	(680,260)	(650,237)
Fair value of plan assets	416,454	417,023
Net Liability	(263,806)	(233,214)
Present Value of Unfunded Obligation	(7,007)	(6,572)
Net liability arising from defined benefit obligation	(270,813)	(239,786)

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

	Local Government Pension Scheme	
	31/03/2015	31/03/2016
	£'000	£'000
Opening fair value of scheme assets	379,626	416,454
Interest income	16,970	13,690
Remeasurement gain/(loss):		
• The return on plan assets, excluding the amount included in the net interest expense	25,032	(9,282)
Administration Expenses	(284)	(287)
Contributions from employer including unfunded	13,900	13,431
Contributions from employees into the scheme	4,480	4,377
Estimated Benefits paid	(18,599)	(17,194)
Other (if applicable)	(4,671)	(4,166)
Closing fair value of scheme assets	416,454	417,023

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

	Funded Liabilities: Local Government Pension Scheme	
	2014/15	2015/16
	£'000	£'000
Opening balance at 1 April	574,143	687,267
Current service cost	17,474	21,193
Interest cost	25,319	22,309
Contributions by scheme participants	4,480	4,377
Remeasurement gains and (losses):		
• Actuarial gains and losses arising on changes in financial assumptions	92,507	(49,829)
• Experience (loss)/gain on defined benefit obligation	(315)	100
Liabilities extinguished on settlements	(9,402)	(11,448)
Estimated benefits paid net of transfers in	(18,075)	(16,677)
Past service cost, including curtailments	1,660	34
Unfunded pension payments	(524)	(517)
Closing balance at 31 March	687,267	656,809

Local Government Pension Scheme assets comprised:

Employer Asset Share - Bid Value	Fair value of scheme assets (a)	
	2014/15	2015/16
	£'000	£'000
Equities	283,954	278,102
Gilts	4,355	3,694
Other Bonds	46,643	45,789
Property	52,057	60,578
Cash	11,388	10,737
Target Return Portfolio	18,057	18,123
Total assets	416,454	417,023

All scheme assets have quoted prices in active markets.

The funds Actuaries have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2016 is likely to be different from that shown due to estimation techniques.

Basis for Estimating Assets and Liabilities

The principal assumptions used by the actuary have been:

To assess the value of the Employer's liabilities at 31 March 2016, the actuary has rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2013 using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cashflows to be paid from the Fund and placing a value on them. These cashflows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the Scheme or their dependants. These pensions are linked to inflation and will normally be payable on retirement for the life of the member or a dependant following a member's death.

It is not possible to assess the accuracy of the estimated liability as at 31 March 2016 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2016 should not introduce any material distortions in the results provided that the actual experience of the Employer and the Fund has been broadly in line with the underlying assumption, and that the structure of the liabilities is substantially the same as at the latest formal valuation. From the information we have received there appears to be no evidence that this approach is inappropriate.

To calculate the asset share the actuary has rolled forward the assets allocated to the Employer at 31 March 2013 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the the Employer and our Employees.

The service cost for the year ending 31 March 2106 is calculated using an estimate of the average total pensionable payroll during the year.

Demographic, Statistical and Financial Assumptions - The actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2013. The post retirement mortality tables adopted are the S1PA tables. These base tables are then projected using the CMI 2012 Model, allowing for a long term rate of improvement of 1.5% per annum.

The assumed life expectations from age 65:

Life Expectancy from age 65 (years)	Local Government Pension Scheme	
	31/03/2015	31/03/2016
Mortality assumptions:		
Longevity at 65 for current pensioners		
• Men	22.8	22.9
• Women	25.2	25.3
Longevity at 65 for future pensioners		
• Men	25.1	25.2
• Women	27.6	27.7

Further assumptions are:

- Members will exchange half of their commutable pension for cash at retirement
- Members will retire at one retirement age for all tranches of benefit, which will be the pension weighted average tranche retirement age;
- No members will take up the option under the new LGPS to pay 50% of contributions for 50% of benefits.

The Financial assumptions used for the purpose s of the IAS19 calculations are as follows:

	Local Government Pension Scheme	
	31/03/2015	31/03/2016
Rate of inflation CPI	2.40%	2.40%
Rate of inflation RPI	3.20%	3.30%
Rate of increase in salaries	4.20%	4.20%
Rate of increase in pensions	2.40%	2.40%
Rate for discounting scheme liabilities	3.30%	3.70%

These assumptions are set with the reference to market conditions at 31 March 2016.

The actuary's estimate of the duration of the Employer's liabilities is 19 years.

The discount rate is the annualised yield at the 19 year point on the Merrill Lynch AA rated corporate bond curve which has been chosen to meet the requirements of IAS19 and with consideration of the duration of the Employer's liabilities. This is consistent with the approach used at the last accounting date.

The RPI increase assumption is set based on the difference between conventional gilt yields and index-linked gilt yields at the accounting date using data published by the Bank of England, specifically the 19 year point on the Bank of England market implied inflation curve. The RPI assumption is therefore 3.3% p.a. This is consistent with the approach used at the last accounting date.

As future pension increases are expected to be based on the Consumer price Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.8% p.a. below RPI i.e. 2.4% p.a. This is a slightly higher differential than last year. We believe that this is a reasonable estimate for the future differences in the indices, based on the different calculation methods and recent independent forecasts.

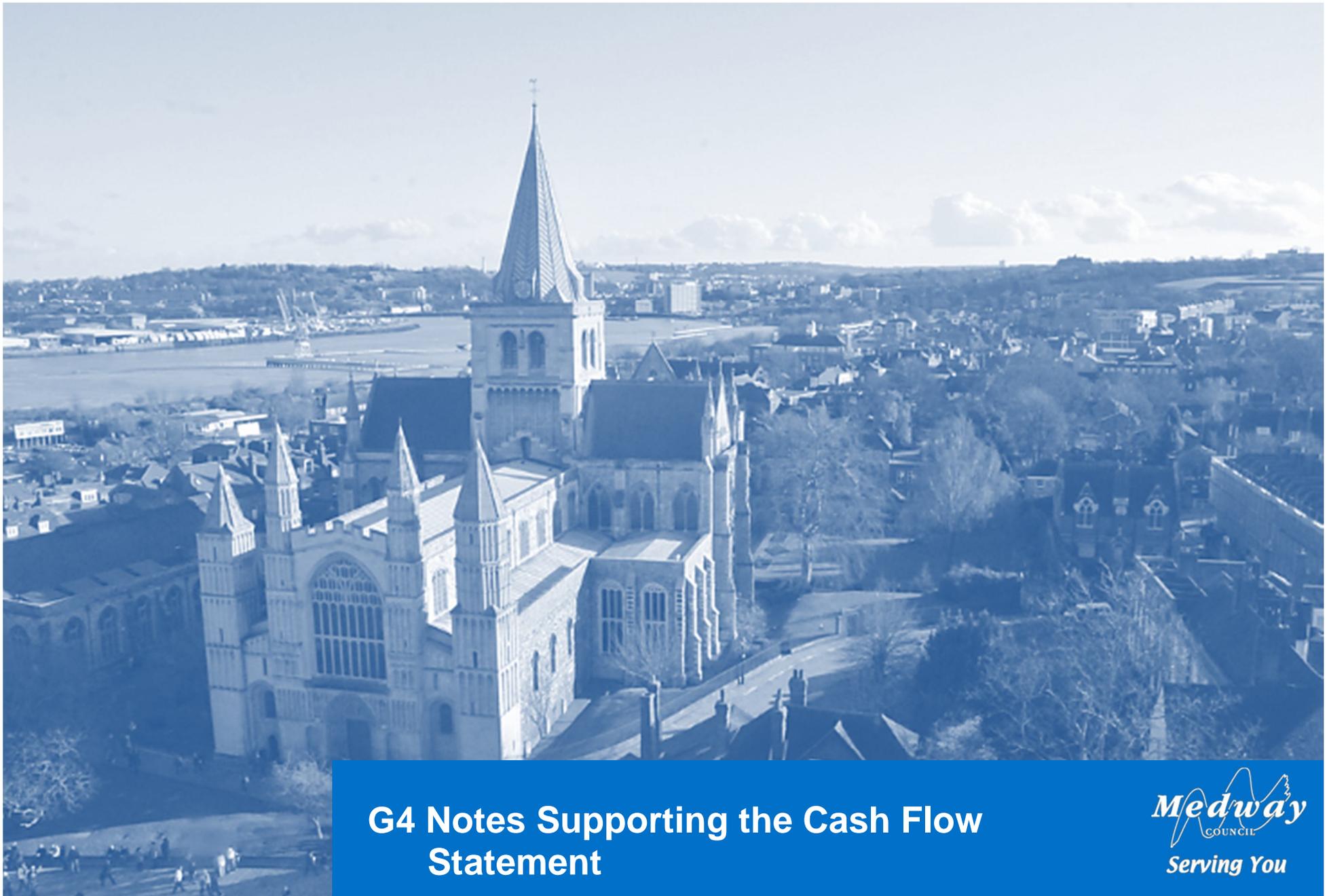
Salaries are then assumed to increase at 1.8%% p.a. above CPI in addition to promotional scale.

Sensitivity Analysis				
		£000's	£000's	£000's
Adjustment to discount rate		0.10%	0.00%	(0.10%)
	Present Value of Total obligation	644,637	656,809	669,222
	Projected Service Cost	18,545	18,976	19,417
Adjustment to long term salary increase		0.10%	0.00%	(0.10%)
	Present Value of Total obligation	658,087	656,809	655,539
	Projected Service Cost	18,985	18,976	18,967
Adjustment to pension increases and deferred revaluation		0.10%	0.00%	(0.10%)
	Present Value of Total obligation	668,091	656,809	645,742
	Projected Service Cost	19,413	18,976	18,549
Adjustment to mortality age rating assumption		+ 1 Year	None	-1 Year
	Present Value of Total obligation	676,709	656,809	637,512
	Projected Service Cost	19,460	18,976	18,504

Impact on the Authority's Cash Flow

The Authority anticipated to pay £12,543,000 expected contributions to the scheme in 2016/17.

Further information can be found in Kent County Council's Superannuation Fund's Annual Report which is available upon request from the Investment Section, Sessions House, County Hall, Maidstone, Kent, ME14 1QX.



G4 Notes Supporting the Cash Flow Statement

Medway
COUNCIL
Serving You

34. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2014/15	2015/16
	£'000	£'000
Interest received	(233)	(575)
Interest paid	9,098	8,940

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

	2014/15	2015/16
	£'000	£'000
Depreciation	(43,002)	(42,745)
Impairment and revaluations	(26,845)	10,531
(Increase) / decrease in creditors	6,864	1,897
Increase / (decrease) in debtors/Impairment for Bad Debts	1,209	(6,229)
Increase / (decrease) in inventories	7	(62)
Movement in pension liability	(9,136)	(9,420)
Contributions (to)/from Provisions	(2,819)	1,505
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(42,988)	(48,577)
	(116,710)	(93,100)

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

	2014/15	2015/16
	£'000	£'000
The surplus or deficit on the provision of services has been adjusted for the following items that are investing and financing activities:		
Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0	3
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,512	3,086
Any other items for which the cash effects are investing or financing cash flows	23,154	0
	28,666	3,089

35. Cash Flow – Investing Activities

	2014/15	2015/16
	£'000	£'000
Purchase of property, plant and equipment, investment property and intangible assets	29,150	33,658
Purchase of short-term and long-term investments	19,475	3,000
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(5,513)	(3,086)
Proceeds from short-term and long-term investments	0	(3)
Other receipts from investing activities	(22,896)	
Net cash flows from investing activities	20,216	33,569

36. Cash Flow – Financing Activities

	2014/15	2015/16
	£'000	£'000
Cash receipts of short- and long-term borrowing	0	(6,922)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-balance sheet PFI contracts	1,147	764
Repayments of short- and long-term borrowing	125	88
Net cash flows from financing activities	1,272	(6,070)



G5 Other Notes

37. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g. Council Tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 6 on reporting for resources allocation decisions.

Members

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

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

Two Members of the Council are Trust Members of Chatham Historic Dockyard Trust. During the year the Council paid £113,999 (£125,584 in 2014/15) to the organisation and the Trust paid the Council £25,694 (£3,936 in 2014/15). At 31 March 2016 the Council was owed nothing by the Trust (31 March 2015 £1,365).

One Member of the Council is a non-executive director of Medway Community Healthcare. During the year the Council received £95,946 (£122,875 2014/15) from Medway Community Healthcare and paid £4,361,631 (£1,025,752 2014/15) in respect of various services. At 31 March 2016 the Council was owed £39,889 (31 March 2015 £52,584) and owed nothing to the Trust (2014/15 £18,761).

Sunlight Development Trust – is a community owned organisation that works with partners across all Sectors. Its overriding aim is to improve health, inequality and well being. One member is Chair of the Trustees. The Council made payments to the Trust amounting to £86,767 during 2015/16 (£215,706 2014/15).

In 2015/16 each Councillor had £2,000 of ward improvement funding that they could donate to projects/groups within their ward. During the year Macklands PACT and Medway Asthma Self Help (MASH) received £300 and £175 respectively of ward improvement funding from Councillors who were either committee members or trustees.

Officers

One senior officer is a Council member of The University of Kent Governing Body. The total value of payments made by the University to the Council was £41,833 in 2015/16 (£100,818 in 2014/15). Payments from the Council to the University from the Council totalled £8,750 in 2015/16 (£5,820 in 2014/15). At 31 March 2016 the Council was owed £1,154 (31 March 2015 £505).

One senior officer is a Council member of Mid Kent College Governing Body. The Council made payments of £406,720 to the College in 2015/16 (£113,195 in 2014/15). The total value of transactions to the Council from the College was £2,630 in 2015/16 (£2,858 in 2014/15). At 31 March 2016 the Council owed nothing to the College (31 March 2015 £24) and the College owed the Council £637 (31 March 2015: nil).

Other Public Bodies

Other than transactions disclosed elsewhere within these accounts (e.g. note 9), there are no other disclosures required in respect of Related Party Transactions

The Authority has a 20% equity share in Medway Norse Limited and Medway Norse Transport (see note 14).

The Companies supply services to the Authority which is included in the cost of services.

Medway Council appoints 2 directors to the Boards of Medway Norse and Medway Norse Transport. The Council made payments of £11,486,946 to Medway Norse/Medway Norse Transport in 2015/16 (£10,112,787 2014/15). The total value of transactions to the Council from these companies was £101,772 in 2015/16 (£207,157 2014/15). At 31 March 2016 the Council was owed £28,651 (31 March 2015 £111,763) and owed £135,248 (14/15 £29,628).

Other Public Bodies (subject to common control by Central Government)

The Authority operates a number of joint funding initiatives with Medway Clinical Commissioning Group.

The Authority receives grant income from various government departments as detailed in note 13.

The Authority became responsible for a proportion of Kent County Council's debt when Medway Authority was formed in 1998. The amount outstanding at 31 March 2016 was £38,460,464 (31 March 2015 £40,063,150). In addition £32,157 was due to Kent County Council as at 31 March 2016 ((£298,856) as at 31 March 2015) and £144,389 due from them at 31 March 2016 (£144,389 as at 31 March 2015).

38. Contingent Liabilities

At 31 March 2016, the Authority had one significant contingent liability:

A group of property search companies is seeking the refund of fees paid to the Council to access land charges data. The parties have agreed to pay the property search companies legal costs to be subject to a detailed assessment by way of costs only proceedings if not agreed. The council is in discussion with the claimants about the costs aspect of the claim. At present it is not possible to put a final value on these potential liabilities but the Council estimates the contingent liability at £100,000.

39. Contingent Assets

There were no known material contingent assets as at 31 March 2016.

40. Non-adjusting event post reporting period

There were no material post reporting events to report.