Rochester Bridge,
Rochester

Statement of Accounts
Medway Council | 2020/21

Medway COUNCIL
Serving You

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The Statement of Accounts for Medway Council have been prepared in accordance with the Accounts and Audit Regulations 2015 and primarily, the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 (“the Code”) issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) as adopted for the UK public sector under the oversight of the Financial Reporting Advisory Body (FRAB).


Rochester town centre

A. Narrative Report

Medway Council

Serving You

Introduction:

Chief Operating Officer, Phil Watts

I'm proud to present Medway Council's annual Statement of Accounts for the year ending 31 March 2021. This Statement provides information so that members of the public, including electors and residents, Council Members, partners and other interested parties can:

- understand the overarching financial position of the Council;
- have confidence that the public money with which the Council has been entrusted has been used and accounted for in an appropriate manner;
- be assured that the financial position of the Council is sound and secure.

The accompanying Narrative Report is designed to provide context and enable interested parties to understand Medway the place, how the Council operates and its strategic direction, how we are performing and how we ensure the economical, efficient and effective use of the resources available. It also provides explanations of the core financial statements, their purpose and the relationship between them.

The Statement has been prepared in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice on Local Authority Accounting 2020/21.

This year's Statements reflect the full impact of the Covid-19 pandemic on our economy, our services and therefore on our income and expenditure and these impacts will continue to be reflected in years to come. We continue to operate in very challenging financial times, but significant additional funding from the Government in respect of the pandemic alongside our robust monitoring and management of resources during the year enabled us to balance and deliver on our 2020/21 budget and deliver a balanced budget for 2021/22. Despite continued restrictions and financial impacts of the pandemic in 2021/22, throughout the year we have witnessed a swift recovery and I am confident however that our strong financial governance arrangements will ensure the Council continues to deliver services to residents delivering value for money and maintaining our robust financial standing.

Organisational Overview, External Environment and Governance

About the Council

Medway Council is a unitary authority, providing all local government services for a quarter of a million people. We look after education, environment, social care, housing, planning, business and much more, everything from frontline services such as rubbish collection, events and festivals to work that goes on behind the scenes to ensure services in Medway run smoothly and are cost effective.

Governance

The community is represented by 55 elected Members, working on behalf of the 22 wards throughout Medway. The leadership of the Council is provided by the Conservative Group with the political composition as follows:

- Conservative: 32
- Labour: 21
- Independent: 2

The Council appointed Councillor Alan Jarrett as Leader for a four-year term at the Annual Council meeting on 2 May 2019. The Council has adopted the Leader and Cabinet model as its political management structure. The Leader appointed Councillor Howard Doe as Deputy Leader and eight other Members to form a Cabinet.

Decision Making

The Council's decision making arrangements are set out within the Constitution. The Cabinet is responsible for implementing the Council's budget and policies as well as forming partnerships with other key organisations. The Full Council is responsible for setting the budget, considering recommendations from the Cabinet and making some decisions such as changes to the constitution. Other decisions, such as those about planning applications, are made by Committees.

The Leader and Cabinet are held to account by Overview and Scrutiny Committees which are made up of councillors from all the political groups on the Council. The Mayor chairs Full Council meetings and has a traditional ceremonial role.

Chief Officer Structure

Councillors are supported by the Corporate Management Team (CMT), which is headed by the Council's Chief Executive, Neil Davies. CMT are responsible for setting and monitoring overall direction and ensuring high performance in the delivery of Council services. Including the Chief Executive, CMT is made up of fourteen members; the Director of Place and Deputy Chief Executive, the Assistant Director Front Line Services, the Assistant Director Regeneration, the Assistant Director Culture and Community, the Head of Communications and Marketing (Service Manager), the Director of People—Children and Adults Services, the Director of Public Health, the Assistant Director Children's Service, the Assistant Director Adult Services, the Assistant Director Schools and SEND, the Assistant Director, Legal and Governance, the Chief Finance Officer and the Head of HR (Service Manager). The Monitoring Officer is responsible for ensuring council decisions and activities comply with laws and regulatory frameworks, and reports on this through the Annual Governance Statement. Codes of conduct are in place for Councillors and Officers that define the high ethical values and standards of behaviour expected from elected members and officers, to make sure that public business is conducted with fairness and integrity.

Our vision—Medway – Waterfront university city; connecting innovation, people and place, driving growth for all

The Council's Strategy sets out our three key priorities and we believe concentrating our resources in these areas will lead to a better quality of life across Medway;

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

People

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

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

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

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

Organisational Overview, External Environment and Governance (continued)

Place

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

We want to put Medway on the map. Built around our culture, tourism and regeneration strategies, including Medway 2035. By building on what makes Medway unique – the river, our heritage and sporting legacy – Medway on the Map promotes Medway as a great place to live, work, learn and visit.

Growth

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

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

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

Our Core Values

Our Strategy is supported by the Council Plan, which sets out the outcomes we want to achieve towards delivering on our priorities, along with the specific programmes of work we will complete and details of how we will measure our success.

The Council Plan also sets out our Core Values which underpin the delivery of everything we do:

Financial resilience

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

Digital Enablement

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

Creativity and innovation

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

Working together to empower communities

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

Tackling climate change

We will take action to tackle the local and global threat of climate change, both internally and in partnership with local organisations and residents, and to minimise its environmental impact by cutting carbon, waste and pollution.

Child-friendly

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

Covid-19

Response

The Covid-19 pandemic continued to put the spotlight on local government throughout 2020/21 and into 2021/22 and we are immensely proud of how our teams and partners across the public, voluntary and private sector have worked to support our residents and businesses. The Covid-19 pandemic had a profound impact on our communities and the local economy, as well the Council's direct income and expenditure. The pandemic and social distancing requirements posed significant risks to businesses and in our high streets, to residents' welfare, and their employment and training opportunities and these factors continue to drive increasing demand for statutory public services.

From the outset of the pandemic and throughout the response, the Government made available significant packages of financial support for businesses (including care providers), individuals, and provided direct funding to mitigate Covid-related pressures experienced by local authorities.

Organisational Overview, External Environment and Governance (continued)

During the first national lockdown in the Spring of 2020, the Government announced a range of financial support for businesses and individuals impacted by the restrictions introduced to reduce the spread of Covid-19. The following initial schemes were implemented by Medway Council in in the Spring of 2020:

- Expanded Business Rates Relief of 100% for retail, hospitality and leisure sites, through which we awarded £34.129million to 1,300 businesses.
- Mandatory grants for small businesses through which we awarded £22.020million to 2,020 businesses.
- Mandatory grants for retail, hospitality and leisure businesses through which we awarded £14.095million to 727 businesses.
- Discretionary grants for small businesses through which we awarded £1.848million to 319 businesses.

In response to the second period of national restrictions in November 2020, the government introduced further support for businesses with grants delivered through the mandatory Local Restrictions Support Grant schemes (LRSG) and the discretionary Additional Restrictions Grant (ARG). Eligibility for the LRSG schemes is based on business rate liability with payments based on rateable value of the business premises, while the ARG scheme is much less prescriptive and could therefore be made available to businesses without a rateable business property.

During the 2020/21 financial year, the following support was delivered through the mandatory schemes:

- LRSG (Closed) Addendum – this scheme provided grants to businesses who were forced to close due to restrictions in force between 5 November and 2 December 2020. The Council distributed a total of £1.980million between 1,198 businesses through this scheme.
- LRSG (Closed) Post 2 December 2020 – this scheme provided grants to businesses who were required to close due to restrictions in place after 2 December. The Council distributed a total of £418,585 between 369 businesses through this scheme.
- LRSG (Closed) Addendum Tier 4 – this scheme provided grants to businesses who were forced to close due to the restrictions in place under Tier 4 from 19 December 2020 onwards. The Council distributed a total of £1.128million between 1,195 businesses through this scheme.
- LRSG (Closed) Addendum Post 5 January 2021 – this scheme provided grants to businesses who were forced to close during the restrictions in place from 5 January 2021. The Council distributed a total of £2.967million between 1,198 businesses through this scheme.
- Closed Business Lockdown Payment – the Council distributed a total of £5.897million between 1,198 businesses through this scheme.
- LRSG (Sectors) – this scheme provides grants to businesses in sectors that have been forced to close since restrictions were initially implemented in Spring 2020. The Council paid £3,875 to two businesses identified as eligible in Medway.
- Christmas Support Payment for wet-led pubs – the Council distributed a total of £69,000 between 69 businesses through this scheme.

Since the data to determine availability for these schemes is not held by central Government, the grant allocations provided to local authorities were based on estimates and in many cases, the grant received was in excess of the amount payable to eligible businesses in Medway. The grant conditions for these schemes include a reconciliation process during the 2021/22 financial year, through which any excess funding will be repayable to the Government and any underfunding payable to local authorities. Once this reconciliation is complete it is estimated that the Council will return c£11.979million of excess funding to the government, and this is reflected in the Council's financial outturn as a pressure on the Council's Covid-19 Grant Income offset by an underspend on the Covid-19 Grant Expenditure, as creditors to the Government for this sum have been raised in the accounts.

In terms of direct financial support for local authorities, during 2020/21 the Council received three tranches of non-ringfenced emergency support funding totalling £16.441million. Throughout the year Members were updated through the Revenue Budget Monitoring Reports on the level of expenditure that, following agreement through the Council's Response command and control governance process, would be charged to the Covid-19 grant received rather than increasing the Directorate budget pressures. The majority of this activity however also fell within the grant conditions for Public Health related grants provided to the Council, and as such, where possible this direct expenditure was charged to the Contain Outbreak Management Fund grant.

Organisational Overview, External Environment and Governance (continued)

In recognition of the extent to which income from fees and charges underpins the budgets of local authorities, the government introduced a Sales, Fees and Charges Income Compensation Scheme in 2020/21 with authorities able to claim for losses (net of any savings made in service delivery) against eligible services. Medway submitted claims totalling £7.033million through this scheme; as this funding was not included in the budget, this reduced the pressure on the Covid-19 Grant Income in the Council's outturn. Together, the emergency support funding and income compensation funded the expenditure pressures and income shortfalls experienced across the Council's services in 2020/21 with £3.918million transferred to general reserves to fund our 2021/22 revenue budget requirement.

Recovery

As part of our recovery strategy from Covid-19 we have committed to ensuring that we make the most of this opportunity to 'Build Back Better', by implementing new ways of working and in some instances new operational models as we return to business as usual. Our priority, as well as ensuring the safe resumption of all our services is to identify opportunities for Medway to emerge stronger and more resilient from the pandemic with an exciting agenda planned for future years.

Following the publication of the Government's roadmap for re-opening in March 2021, the approach we agreed at Medway Council was to resume our services as quickly as possible, whilst adhering to the government roadmap and ensuring that our facilities were re-opened safely for staff, residents, and visitors. In March 2020, a number of groups were established to focus specifically on recovery; some of these groups continued to meet during our move to response and some will evolve into new formats as we return to business as usual.

Our planned approach to recovery is therefore being rolled out in three phases: Rebound, Rebuild and Reimagine, over 5 plus years with full details set out in a report to Cabinet in October 2021.

We remain as ambitious for Medway as we have ever been and moving forward, we will be reviewing our strategy base, including our Medium Term Financial and Capital Strategies to reflect the impact of the pandemic and our approach to continuing to deliver the Council's strategic objectives. We will use this as an opportunity to identify opportunities to improve pre-pandemic arrangements, with a view to increasing our resilience and considering innovative and transformational development models as we look to the future. We will also work to influence regional (and national) policy and strategy to support the shaping of the wider landscape of the new normal. Through 2021/22 the Council will adopt a proactive evidence-led approach to ensure that we respond to the emerging needs of residents and businesses.

Our people

We currently employ 1,988 Full Time Equivalent (FTE) staff to deliver services for Medway and achieve the objectives in our Council Plan. We are committed to supporting, developing and engaging with our staff and offer a wide range of professional qualification and skills based training to ensure our specialist teams are adequately skilled to deliver high quality services. As a result our workforce is vibrant and dedicated to our objectives and journey, and our low turnover ensures we retain experience.

As our ongoing business change programme delivers realigned, more efficient services we are reviewing how they are delivered and structured to capture the efficiencies of digitalisation.

We are committed to training and developing staff within Medway to enable them to adapt and successfully deliver services in the new design and structure. While already in progress, the Covid-19 pandemic dramatically accelerated arrangements to work more flexibly with home and remote working the norm for many. This is impacting on our property strategy, reducing demand on central officer space. We are committed to succession planning and investing in learning and development of the workforce for the future, including our award-winning Apprenticeship Academy, which maximises the use of the Apprenticeship Levy for Medway.

Alternative Service Delivery Models

Shared Services

Medway Council launched its first shared service, delivering a Building Control Service for the areas of Medway, Gravesham and Swale in 2007, but has more recently followed this up with a number of other shared services with Gravesham Borough Council. Medway currently hosts shared service arrangements with Gravesham to provide Audit and Counter Fraud Services, Legal Services, Payroll and HR services and since 2019 has operated in a shared management arrangement for the Revenues and Benefits Teams of both authorities. During 2018/19 Gravesham took the lead in hosting a shared Licencing Service for Medway. We will continue to explore opportunities to share services where this benefits our residents.

Organisational Overview, External Environment and Governance (continued)

Medway Development Company

Medway Council is making considerable investments into its urban spaces and the development of new housing is an integral part of this process. With Medway becoming increasingly attractive, the Council as a significant land holder can play an important role in helping to alleviate this pressure. New homes also reinforce economic growth for local businesses and good quality housing can revitalise areas. Subsequently, Medway Council created Medway Development Company Ltd in 2017 to bring forward housing sites. Having a directly owned company gives Medway Council the ability to control how new developments are delivered and relate to the regeneration initiatives that are being driven forward, but also to maximise its financial returns by delivering the schemes directly. Medway Council is the sole shareholder of Medway Development Company, with that role being undertaken by Cabinet. The MDC Board, comprising of two Council appointed Directors and two non-executive Directors, has met regularly to oversee the progress of projects in line with the company's Business Plan, which was approved by Cabinet in April 2018.

Two subsidiaries are also now set up Medway Development Company (Private Rental Sector – MDC PRS) Limited chaired by Councillor Doe and Medway Development Company (Land and Property – MDC L&P) Limited chaired by Councillor Gulvin. MDC PRS was established to allow the option, in the right circumstances, for units to be rented to customers in the private market. MDC L&S was established following advice from Jones Laing Lasselle (JLL) and from the Council's Legal team about a simplified ownership and sale of units once complete.

In February 2021 the Cabinet agreed to provide loans at commercial rates to the new subsidiary of MDC, MDC (Land & Projects) to enable the company to purchase land from the Council and advise Cabinet about the level of financial risk of the overall venture.

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

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

- CCTV services through the CCTV partnership and direct provision for third parties including an 'out of hours' call centre model;
- Telecare services to both corporate clients and private individuals;
- Recruitment agency for Medway Council.

Medway Council holds 100% of the shares in Kyndi and the company now operates through one subsidiary to enable the company to trade with both the Public and Private Sector:

- Kyndi Care Ltd which trades with the private sector;
- Medway Public Services Limited (MPS), which has now been being wound up (Cabinet decision number 134/2020 refers).

Medway Norse

In March 2013, Cabinet agreed for the joint venture (JV) company, Medway Norse, to be established for the provision of facilities management (FM) services from 1 June 2013. It was established to:

- Provide services to the Council more efficiently, giving better value for money;
- Grow the business through taking on external contracts;
- Increase employment opportunities for local people.

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

Other Partnership Working

We cannot achieve our vision for Medway on our own. The Covid-19 pandemic shone a light on the strength of partnership working in Medway and beyond, and we continue to enjoy strong working relationships with a wide variety of partners across public, private and voluntary and community sector organisations.

Operational Model

Our Directorates and the services they provide

- Chief Executive
  - Business Support
    - Finance and Business Improvement
    - Legal and Governance
    - Human Resources
  - Children & Adults
    - Adult Social Care
    - Children's Services
    - Education
    - Public Health
  - Regeneration, Culture and Environment
    - Front Line Services
    - Culture and Community
    - Regeneration
    - Communications and Marketing

Operational Model (continued)

Business Support Department

- Business Support
  - Finance and Business Improvement
    - Finance Strategy
    - Revenues and Benefits
    - Audit and Counter Fraud
    - Finance Operations
    - Business Change
    - ICT
    - Digital
    - Business Intelligence
    - Customer and Business Support
  - Legal and Governance
    - Legal Services
    - Democratic Services
    - Elections and Member Services
    - Property and Capital Projects
    - Valuation and Asset Management
    - Category Management
    - Licensing
  - Human Resources
    - Human Resources

Operational Model (continued)

Children and Adults Directorate

- Children and Adults
  - Adult Social Care
    - Deprivation of Liberty Safeguards
    - Adult Social Care for Mental Health, Disability and Older People
    - Adult Safeguarding
    - Community Support Outreach Team
    - Approved Mental Health Practitioners
    - Shared Lives
    - Business and Intelligence
    - Client Financial Affairs
  - Children's Services
    - Early Help and Targeted Services
    - Integrated 0-25 Disability
    - Quality Assurance and Safeguarding
    - Provider Services
  - Education
    - School Admissions
    - School Transport
    - Attendance Advisory Service to Schools and Academies
  - Public Health
    - Health Improvement
    - Healhcare - Public Health
    - Health Protection

Operational Model (continued)

Regeneration, Culture and Environment Directorate

- Regeneration, Culture and Environment
  - Front Line Services
    - Transport and Parking
    - Regulatory Services
    - Highways and Traffic
    - Environmental Services
    - Waste Services
    - Community Safety
    - Wardens Service
    - Highways
    - Road Safety
    - Trading Standards
    - Emergency Planning
    - Bereavement and Registration Services
  - Culture and Community
    - Culture and Libraries
    - Sports, Leisure, Tourism and Heritage
    - Strategic Housing
    - Housing Revenue Account
    - Planning
    - Skills and Employability
    - Employment and Adult Education
    - South Thames Gateway Partnership
  - Regeneration
    - Housing Infrastructure Fund Delivery
    - Regeneration
    - Innovation Park Medway
    - Strood Waterfront
    - Rochester Riverside
    - Chatham Placemaking
    - Greenspace Development
  - Communications and Marketing
    - Communications
    - Marketing
    - Media Enquiries

Strategy and Resource Allocation

Delivering value for money

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

The Council has arrangements in place to monitor performance and the achievement of our strategies and plans, with Council Plan Performance Monitoring reported quarterly to Cabinet and Overview & Scrutiny Committees. Since 2019/20 we have incorporated our Strategic Risk reviews into that report, and for 2020/21 these have been scheduled to appear on the same meeting agendas as our financial performance reporting to support Member decision making and the broader assessment of the Council's performance. Details of our performance for 2020/21 are set out on page 17.

The Council's external auditors are required each year to deliver an opinion on the Value for Money arrangements in place for securing economy, efficiency and effectiveness in the use of resources. Due to the Ofsted judgement of Inadequate for our Children's Services, for 2019/20 the conclusion was unqualified 'except for' the failure to deliver adequate Children's Services during the year and this will remain until the service is reinspected and found to be Requires Improvement or better. The full reinspection is expected in Spring 2023.

Funding

The Council's net revenue budget is funded from four principal sources:

- Grant support from central government in the form of Revenue Support Grant and other specific grants, including Public Health Grant and the Dedicated Schools Grant;
- The Council's share of local Business Rates (NDR);
- The amount raised locally by Council Tax, and
- Fees and charges.

The 2020/21 Settlement was a one-year settlement, following a four-year settlement period that had been agreed in 2015. As the year progressed the government added further tranches of funding providing support for businesses, individuals and funding to offset some pressures felt by local authorities, with these additions made to the budget using delegations/the urgency provisions during the year. Moving forward, the Treasury concluded the spending review in October 2021 and while this set out spending totals for every government department for the next three years, the local government finance settlement was limited to one year as the response to Covid-19 continued. Until longer term settlements are received that address funding pressures arising from the pandemic, and from reforms to social care, funding remains the most significant risk to the Council as set out on the Strategic Risk Register.

Our Financial Strategies

The Council's annual budget and council tax setting establishes the Council's budget framework and sets out the funding of services.

Refreshed each year, the Medium-Term Financial Strategy (MTFS) identifies the key issues that need to be addressed as part of that budget preparation. The MTFS needs to be viewed in conjunction with the Council Strategy and Council Plan; the MTFS is built around the framework of priorities and outcomes set out in the Council Plan to integrate budget setting with service planning and ensure that priorities and funding are matched.

Our Capital Strategy provides a high-level overview of how capital expenditure and the way it is financed contribute to the provision of services. It also provides an overview of how associated risk is managed and the implications for future financial sustainability and sets out the governance processes for approval and monitoring of capital expenditure.

Risks and Opportunities

Risk Management

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

Our Strategic Risk Register is reviewed and updated on a quarterly basis, and is presented to Members alongside our quarterly Council Plan Performance Monitoring information, so assist Members making informed decisions. These combined reports were presented to the Cabinet and Overview and Scrutiny Committees throughout 2020/21 to present and appear on the same agenda as the financial monitoring reports.

Risk is considered in all Council decisions with a risk assessment required in the standard CMT and Cabinet/Committee report template.

Strategic Risk Register—Current Risks

Full details of each risk on the current register, including scores and arrangements in place to manage them, is included in the latest full version reported to the Cabinet in November 2021.

Finances – Demographic pressures in adult social care, children's care and Special Educational Needs and Disabilities (SEND) remain a significant issue, but this has been further exacerbated by the impact of the Covid19 pandemic.

Medway's economic recovery from Covid-19 – Strategic Planning is one of the three key workstreams in the council's Strategic Recovery Plan, with a multi-agency cell for Medway's Economy and Infrastructure established and working closely with the Kent Resilience Forum equivalent.

Meeting the needs of older people and working age adults – The ageing of the population is likely to result in a substantial increase in costs and pressures to the health and social care system. In addition, we have seen an increase in demand following the Covid19 pandemic and this will continue as people rehabilitate from this extremely debilitating virus. This will all, of course, result in additional pressure on Adult Social Care as people are living longer and have more complex needs.

Failure to meet the needs of children and young people – Children's Early Help and Social Care services are improving, and a recent Ofsted monitoring visit noted that they found no children at risk of harm and we know ourselves well. However whilst there is improvement, our audits into social work practice are still showing that 43% of our work is Inadequate and 47% Requires Improvement.

Non-delivery of children's services improvement – In May 2021, Ofsted visited Children's Services for a Focused Visit looking at how the council had continued to provide and improve within the Covid19 context. Findings included no child at significant risk of harm, no priority actions and three areas of improvement. The 'relentless focus on improvement' was noted along with a determination to embed change across the service – however, Covid19 new ways of working were also highlighted such as individual risk assessments to ensure the most vulnerable children continued to be visited regularly and face-to-face.

Data and information – Our Transformation Programme involves an increased reliance on digital technology both for customers and the council. This brings with it an increased information risk particularly regarding personal and health data. Conversely, not sharing information with partners and others minimises the council's ability to improve service delivery and reduce costs. There is also a duty to share information in the interests of client care (Caldicott 2 Report).

Alternative service delivery models – A growing number of council services are operated through alternative delivery models including outsourcing / insourcing, trusts, joint ventures, Local Authority Traded Companies, partnerships and shared services and joint commissioning. A lack of robust management of these delivery models can lead to underperformance. As a result of more new models, governance arrangements are more complex.

Risks and Opportunities (continued)

Cyber security – There are no mitigations that are completely effective against malware infection, however we work to improve resilience against malware without disrupting the productivity of services. These layers will also have multiple opportunities to detect malware, and then stop it before it causes real harm to the organisation.

Financial pressures on SEND budgets – The number of Education and Health Care Plans (EHCPs) has been rising over time (42% since 2015). Medway has a higher rate of EHCP per 10k than national in all age groups. The increase in numbers and complexity of need continues to be a pressure on the council with the budgets currently excessively overspent.

Business continuity and emergency planning – Duties under the Civil Contingencies Act require councils to have an Emergency Plan. The Emergency Management and Response Structure may not be robust enough to respond to a major emergency. Every business activity is at risk of disruption from a variety of threats, which vary in magnitude from catastrophic through to trivial, and include pandemic flu, fire, flood, loss of utility supplies and accidental or malicious damage of assets or resources.

Delivering regeneration – Medway's regeneration plans seek to meet the needs of anticipated population growth of 50,000 people in Medway, with up to 20,000 jobs and 29,000 new homes in the next 20 plus years. There are challenges for the provision and maintenance of effective infrastructure. Particular areas of concern are flood protection, highways, health and water capacity. It is vital the benefits are felt by the population of Medway, so that the new jobs are not only filled by people from outside the area, and trends of commuting out are addressed.

Homelessness – The council continues to undertake a proactive approach to tackling homelessness. Issues beyond the council's control continue to be the dominating factor in relation to the demand placed on the service. These include Increasing rents in the private sector, reductions in the delivery of affordable housing and the impact of welfare reform initiatives.

Climate change – The council has signed up to the Kent and Medway Energy and Low Emissions Strategy which has the vision that 'by 2050 the county of Kent has reduced emissions to Net-Zero and is benefiting from a competitive, innovative and resilient low carbon economy, where no deaths are associated with poor air quality'. There is a risk that this vision will not be achieved.

Income reduction due to Covid-19 – Following substantial falls in direct government grants from 2010-11 onwards, locally generated income from sales, fees and charges, and through more commercial investment activity has become a fundamental element of the council's budget. Front line services including leisure, parking and cultural services are budgeted to produce in excess of £13m of revenue income. The council has experienced financial pressures from falling income in recent years, particularly in leisure services following the introduction of budget gyms in the sector whose charging structures are difficult to compete with, and in parking income as shopping and working habits have changed.

Delivering £170m Housing Infrastructure Fund (HIF) programme – There are challenges to the successful delivery of the HIF programme; it may not be possible to deliver all the required improvements within the £170m budget. Delays to the programme may be caused at various stages for each of the delivery streams, which could potentially lead to slippage beyond the delivery deadline. The HIF infrastructure will create significant benefits for the local area, however, there is a risk that the HIF-funded infrastructure alone will not fully create the sustainable community that it aims to.

A new severe pandemic, e.g. flu, covid-xx, MERS or other, more serious than Covid-19 – It is therefore highly likely that at some point in the future there will be an outbreak of an infectious disease that is more fatal than Covid19, that may result in more deaths and greater economic harm than we have seen with Covid19. The likelihood of this happening at some point in the future is high, but the likelihood of it happening in any given year is probably low. The national risk assessment highlights the most likely pandemic to affect the UK will arise as a result of influenza, whether seasonal or a new novel strain.

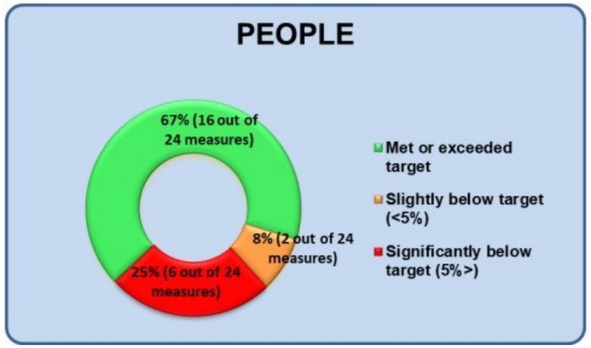
Opportunities

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

Performance Management

Medway Council Strategy is our overarching strategy and sets out our vision, priorities, ways of working and the outcomes we expect to achieve. The Medway Council Plan sets out how we will achieve the outcomes outlined in our Strategy and the measures we will use to track our performance. Quarterly Council Plan monitoring reports are published via Cabinet and Overview and Scrutiny Committee agendas with full commentary on all measures and outcomes provided. The data below relates to the year end outturn for the 2020/21 financial year as reported in full to Cabinet in May 2021.

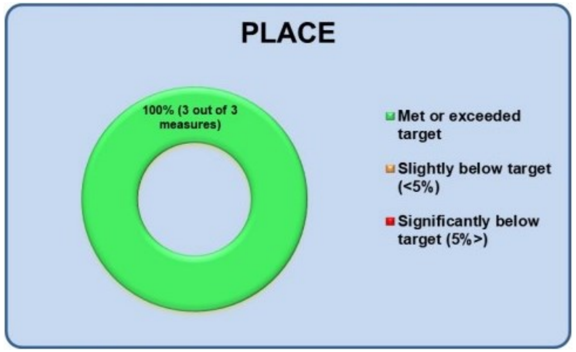
People



Improved performance:
- 57% (13 out of 23*) improved long term (average of previous 4 quarters)
- 52% (12 out of 23*) improved over the short term (since last quarter)
  * where data available

Achievements:
- Annual Healthy Weight Summit
- First quartile (best performing) nationally for achievement gap at Early Years Foundation Stage
- Child Health team shortlisted for national awards (CYP Now for Adolescent Self-Harm project) and (Royal Society for PH for Digital)
- Working in partnership, the telephone befriending service conducted 739 calls and made 279 referrals
- Virtual workshops developed to create connections and bring people together

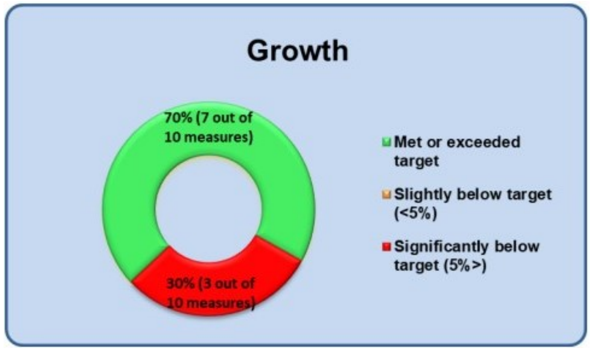
Place



Improved performance:
- 33% (1 out of 3*) improved long term (average of previous 4 quarters)
- 33% (1 out of 3*) improved over the short term (since last quarter)
  *where data available

Achievements:
- 8 green flags awarded; the national standard that recognises well managed green spaces
- 99% of streets free from litter when surveyed (Q4 20/21)
- 90.6% satisfaction with refuse collection (Q4 20/21)
- £9.5m Future High Street Fund investment in Chatham town centre awarded
- £1.6m Heritage High Streets Action Zone bid approved.
- 13,842 small trees planted across 10 sites

Growth



Improved performance:
- 60% (6 out of 10*) improved long term (average of previous 4 quarters)
- 40% (4 out of 10*) improved over the short term (since last quarter)
  *where data available

Achievements:
- 236 Additional Restrictions Grants, totalling £514,830.33, delivered to support businesses through national lockdowns
- 50 Kickstart vacancies created by the Council
- 96% pass rate for Medway Adult Education learners
- 88 people, who were rough sleeping were accommodated, as part of the Government's "Everyone In" programme. 50 of those are now in settled longer term accommodation.
- 216 affordable units delivered to help people get a foot on the housing ladder

Where performance is below target, arrangements are in place for 'deep dive' reviews to be carried out to understand factors driving reduced performance, and to determine actions to for improvement. The results of these activities are reported through the Quarterly Council Plan monitoring reports to Cabinet.

Financial Performance

Financial Review of 2020/21

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

At its meeting on 20 February 2020, the Council set a total budget requirement of £323.365million for 2020/21. Following that date, in response to the Covid-19 pandemic more than £108million of additional grant funding, including the second, third and fourth tranches of non-ringfenced grant worth £16.441million, was added to the revenue budget, taking the final outturn budget requirement to a total of £429.840million. In addition, the second claim against the government's income compensation scheme was submitted during the year with a third completed in May 2021 adding a further £7.033million in respect of that scheme. The fluctuation in the level of restrictions to mitigate the pandemic made it an exceptionally difficult year in which to produce accurate budget forecasts, nonetheless the prudent use of existing budgets, maximisation of grant income and the reductions in expenditure owing to new ways of working all contributed to significant savings on some budgets partially offsetting pressures elsewhere.

By the end of the year, in short, £8.043million of business support funding was carried forward into earmarked reserves to fund grants to local businesses and individuals during 2021/22. A further £5.415million of other ringfenced grant funding was carried forward to fund the ongoing costs of our response to and recovery from the pandemic. Finally, the net underspend of £3.918million was transferred into general reserves, increasing them to £13.115million.

Treasury Management

The Council's Treasury Outturn was reported to Audit Committee in July 2021 confirmed that the Council complied with its legislative and regulatory requirements in the delivery of the treasury function in 2020/21. The report also confirmed that borrowing was only undertaken for a capital purpose and the statutory borrowing limit was not breached.

Total investments managed in-house as at 31 March 2021 stood at £16.9 million (2019/20, £40.5 million) and externally managed of £22.0m (£.28.9m in 2019/20). During 2020/21 the council operated a prudent investment strategy with investment priorities being security first, liquidity second and then return. Funds are invested in loans to other UK local authorities, property funds and bank deposits.

The Council also had £237.0 million long-term borrowing as at 31 March 2021 (31 March 2020, £262.7 million), primarily in the form of PWLB and market loans. In addition, short term borrowing stood at £46.6 million at 31 March 2021 (£36.2 million at 31 March 2020).

The Council achieved and average return of 0.12% on its cash investments (0.88% in 2019/20). In addition, property fund investments yielded an overall return of 2.03% based on original cost (0.95% in 2019/20). The return on property funds comprises dividends received and the change in the capital value of the investments.

The Level of Working Balances and Reserves

The council's working balances stood at £28.084 million as at 31 March 2021 (£19.069 million 31 March 2020). The council also holds earmarked reserves, kept for specific types of expenditure in the future. The total amount of earmarked reserves held as at 31 March 2021 is £57.704 million (£13.787 million at 31st March 2020) however this increase primarily relates to the impact of Covid-19; £18.5million of Section 31 grant paid to offset the business rate reliefs announced after the Settlement, £9.5million of Covid-19 grant carried forward for use in 2021/22 and £4.7million into a fund to offset future increases in Minimum Revenue Provision required.

Financial Performance (continued)

Financial outlook

Commencing in Summer 2020, during formulation of the MTFS, and continuing throughout the overview and scrutiny process, officers worked closely with portfolio holders to identify savings, efficiencies and income generating measures to achieve a balanced budget, without recourse to reserves and whilst attempting to minimise the impact on service delivery. On 18 February 2021 Council approved the balanced budget for 2021/22.

Following our initial response to Covid-19 we are now working to delivery on our recovery plans, embedding the best of new practices and realise the benefits of changed ways of working and interacting with our customers.

During 2021/22 we received significant additional funding, including non-ringfenced emergency support for local authorities, to enable us to meet additional cost pressures and income shortfalls arising from Covid-19. The revenue monitoring for 2021/22 forecast use of this funding however primarily due to significant and growing demand and cost pressures across social care, the first and second rounds of monitoring projected an overspend of around £8.5million.

Though the Spending Round 2021 set departmental spending for a three year period, local government again only received a one year settlement. The sector as a whole will need significant additional financial support from the government to offset continued expenditure and income pressures arising from the pandemic, from the implementation of SEND reforms in 2014 and the upcoming implementation of the Health & Social Care reforms and the Levy. We continue to lobby government to ensure local authorities are adequately supported throughout 2021/22 and beyond.

Financial Performance (continued)

How the Authority's Budget has Changed

	£'000	£'000
Budget requirement 2019/20	297,445	
Changes in function and funding	550	
Adjusted Base Budget		**297,995**
Inflation	5,328	
Other cost pressures	119,596	
Service pressures	28,458	
Efficiency and other savings	(21,536)	
		131,845
Budget Requirement 2020/21		**429,840**
Financed By:		
Retained Business Rates	45,620	
Baseline Need Funding	16,177	
Other Specific Grant	237,033	
Council Tax	131,010	
Reserves	0	
Total		**429,840**

Summary of the Local Government Finance Settlement 2020/21

	Final 2019/20 £'000	Final 2020/21 £'000	Change £'000	Change %
NNDR Redistribution	43,557	45,620	2,063	4.7%
Revenue Support Grant/Baseline Need Funding	16,462	16,177	(285)	(1.7%)
Total	**60,019**	**61,797**	**1,778**	**3.0%**

The tables above show that whilst 2019/20 was a financially difficult year, funding from the Local Government Finance Settlement has been increased by 3.0% in 2020/21 with the introduction of the Baseline Need Funding.

Financial Performance (continued)

During the year, the Council regularly reviewed its performance against its Budget Requirement, with these reports available publicly from the www.medway.gov.uk. The final outturn position for the year is shown in the table below, together with how this expenditure was financed:

Directorate	**Expenditure £'000**	**Income £'000**	**Net £'000**	**Budget £'000**	**Variation £'000**
Business Support Department	116,232	(106,660)	9,572	9,392	179
Children & Adult Services (inc. Public Health)	333,843	(77,040)	256,803	243,264	13,539
Regeneration, Culture & Environment	114,826	(28,995)	85,831	78,706	7,125
Covid-19 Grant Expenditure	30,504	(4,164)	26,340	108,645	(82,305)
Sub-total Included in Cost of Services in Statutory Accounts	**595,404**	**(216,859)**	**378,545**	**440,007**	**(61,462)**
Amounts included within management accounts but excluded from services within statutory accounts:					
Investment Properties (included in BSD in Management Accounts)	9	(823)	(814)	(820)	6
Sub-total included within Business Support Department in Management Accounts but included within Other Operating Income and expenditure within the Statutory Accounts	**9**	**(823)**	**(814)**	**(820)**	**6**
Medway Norse	0	(385)	(385)	(385)	0
Levies	1,564	(32)	1,532	1,518	14
Interest & Financing	10,486	(3,174)	7,311	7,675	(363)
Sub-total Other Operating Income and Expenditure within the Statutory accounts	**12,059**	**(4,415)**	**7,644**	**7,988**	**(344)**
Repayment of Debt	5,969	0	5,969	5,756	213
Depreciation Credit	0	(23,911)	(23,911)	(23,911)	0
Amounts included within Interest & Financing in Management Accounts but excluded from Surplus or Deficit on the Provision of Services within the Statutory Accounts	**5,969**	**(23,911)**	**(17,941)**	**(18,154)**	**213**
Total Management Accounts Variance against Budget Requirement	**613,432**	**(245,184)**	**368,248**	**429,841**	**(61,592)**

Financial Performance (continued)

Directorate	Expenditure £'000	Income £'000	Net £'000	Budget £'000	Variation £'000
Funding:-					
Contribution To/(From) Reserves	22,236	0	22,236	0	22,236
Baseline Need Funding	0	(10,646)	(10,646)	(10,674)	28
Covid-19 Emergency Grant	0	(49,137)	(49,137)	(70,682)	21,545
Business Support Grant	0	(1,858)	(1,858)	(37,963)	36,105
Retained Business Rates	0	(68,041)	(68,041)	(51,124)	(16,917)
Council Tax	0	(132,414)	(132,414)	(131,010)	(1,404)
Dedicated Schools Grant	0	(93,349)	(93,349)	(93,349)	0
Other School Grants	0	(3,824)	(3,824)	(3,824)	0
Other Specific Grants	0	(12,585)	(12,585)	(12,584)	(0)
New Homes Bonus	0	(1,221)	(1,221)	(1,221)	1
Public Health Grant	0	(17,408)	(17,408)	(17,408)	0
Total Funding	**22,236**	**(390,484)**	**(368,248)**	**(429,841)**	**61,592**
Total Funding and Expenditure Variance			**0**	**0**	**0**

Amounts shown above for Council Tax and Non-Domestic rates are derived from the Collection Fund. These figures differ from the amounts shown in the Comprehensive Income and Expenditure Account due to timing differences in the recognition of surpluses and deficits.

Full details, including notes on individual variances within directorates can be found within the Outturn Report that was considered at Cabinet on 8 June 2021.

Housing Revenue Account

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

	Expenditure £'000	Income £'000	Net £'000	Budget £'000	Variation £'000
Housing Revenue Account	13,768	(14,134)	(365)	(224)	(141)
Total Management Accounts Variance against Budget Requirement	**13,768**	**(14,134)**	**(365)**	**(224)**	**(141)**
Funding:-					
Contribution To/(From) Reserves	365	0	365	224	141
Total Funding	**365**	**0**	**365**	**224**	**141**
Total Funding and Expenditure Variance			**0**	**0**	**0**

Financial Performance (continued)

Capital Expenditure

Capital Expenditure relates to expenditure to acquire, construct, enhance or replace tangible non-current assets such as land, buildings or major pieces of equipment that will be used to provide services over a number of years in the form of a capital programme to achieve the council's strategic objectives and priorities. In 2020/21 the Council spent £31.176million on General Fund and £7.607million Housing Revenue Account capital schemes. Of this, £35.912million on the creation of new fixed assets or enhancement of existing assets used in the provision of services in the Medway area. Major schemes completed included the provision of new classrooms, improvements to school infrastructure, highways improvements, regeneration schemes, improvements to the Council's housing stock and building of new housing stock. The remainder of expenditure of £2.871million relates to "Revenue Expenditure Funded from Capital under Statute" (see Note 28 Accounting Policies page 131). The final capital outturn position for the year is shown in the table below together with how this expenditure was financed:

Capital Budget 2020/21	Approved Programme 2020/21+ £'000	Forecast Spend 2020/21 £'000	Outturn 2020/21 £'000	Variation to Forecast 2020/21 £'000	Budget c/fwd 2021/22+ £'000	
Directorate/Service						
Business Support	144,426	10,827	3,390	(7,437)	2,654	[1]
Children and Adults (inc. Public Health)	31,535	8,561	7,479	(1,082)	24,335	
Regeneration, Culture & Environment	241,753	29,010	20,307	(8,703)	359,827	[1]
Member Priorities	363	323	0	(323)	363	
Housing Revenue Account	25,056	23,955	7,607	(16,348)	16,037	
Total	**443,134**	**72,676**	**38,783**	**(33,893)**	**403,215**	

[1] At the end of 2020/21 capital schemes with carry forward values of £138,382,537 were transferred from Business Support to Regeneration, Culture & Environment.

Funding source	£'000
Borrowing (supported capital expenditure and unsupported)	9,862
Government Grants and Other Contributions	17,211
Major Repairs and Other Contributions	3,698
Capital Receipts	4,314
Developer Contributions	828
Revenue and Reserves	2,871
Total	**38,783**

Commentary on Financial Statements

Statement of Accounts

The Statement of Accounts includes the financial statements of the Authority, the Statement of responsibilities to prepare the Statement of Accounts and the independent auditor’s opinion on the financial statements.

Statement of responsibilities

This Statement sets out the responsibilities of the Authority and the Chief Finance Officer in respect of the proper administration of the financial affairs of the Authority and for the preparation of the Statement of Accounts. The Chief Finance Officer has to certify that the accounts present a ‘true and fair’ view of the financial position of the Authority as at 31 March 2021 and its income and expenditure for the year.

Annual Governance Statement

The Authority is required to carry out an annual review of the effectiveness of the system of internal control and to include a report accompanying the Statement of Accounts. This Statement explains how the Authority has complied with the 'CIPFA/SOLACE Delivering Good Governance' Framework during the year and up to the date of the approval for publication of the Statement of Accounts. The Annual Governance Statement is set out on pages 26 to 38.

Independent auditor’s report

The independent auditor is required to publish an opinion on the financial statements as to whether they give a true and fair view of the financial position and the expenditure and income of the Authority for the year in question.

The Auditor also has a responsibility to satisfy himself/herself that the Authority has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources by review and examination of the Authority’s corporate performance management and financial management arrangements against criteria specified.

Core Financial statements and notes

The financial statements comprise the core financial statements of the Authority (Comprehensive Income and Expenditure Statement, Movement in Reserves Statement, Balance Sheet and Cash Flow Statement), the notes to the core financial statements (the accounting policies and supplementary information), and supplementary information required by proper practices (Housing Revenue Account Income and Expenditure Statement, Movement on Housing Revenue Account Statement and Collection Fund). The core statements are set out on pages 47 to 53.

Comprehensive Income and Expenditure Statement

This Statement shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Authorities raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Movement in Reserves Statement

This Statement shows the movement in the year on the different reserves held by the Authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the capital receipts reserve that may only be used to fund capital expenditure or repay debt) and unusable reserves, i.e. those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the revaluation reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the ‘adjustments between accounting basis and funding basis under regulations’ line. The total comprehensive income and expenditure line shows the true economic cost of providing the Authority’s services, more details of which are shown in the Comprehensive Income and Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund balance and Housing Revenue Account for Council Tax setting and dwelling rent setting purposes. The net increase / decrease before transfers to earmarked reserves line shows the statutory General Fund balance and Housing Revenue Account balance before any discretionary transfers to or from earmarked reserves undertaken by the Authority.

Balance Sheet

The Balance Sheet shows the value as at the end of the accounting period of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority.

Commentary on Financial Statements (continued)

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The Statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or from the recipients of services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

Notes to the principal financial statements

The notes to the principal financial statements present information about the basis of preparation of the financial statements and the specific accounting policies used, disclose additional information required by the Code that is not presented elsewhere in the financial statements, and provide information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them. These notes are set out on pages 54 to 169. The supplementary financial statements are set out on pages 170 to 183 and are presented as follows:

Housing Revenue Account (HRA) Income and Expenditure Statement

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

Movement on the Housing Revenue Account Statement

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

Collection Fund

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

Group Accounts

The Group Accounts sets out the income and expenditure for the year and the financial position at 31 March 2021 of the Council and the wholly owned subsidiaries. The Group Accounts combines the financial results of the Kyndi Ltd and Medway Development Company Ltd and are set out on pages 184 to 199.

Glossary

A glossary of terms has been included in this document to explain some of the technical accounting language used to assist the reader and is set out on pages 200 to 207.

Rochester Castle, Rochester

B. Annual Governance Statement

Medway Council

Serving You

Table of Contents

Scope of responsibility

Medway Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having a regard to a combination of economy, efficiency and effectiveness.

In discharging this overall responsibility, the Council is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

In 2016, CIPFA and the Society of Local Authority Chief Executives (SOLACE) published a revised ‘Delivering Good Governance’ framework that “defines the principles that should underpin the governance of each local government organisation”. The Council approved a local code of corporate governance based on the original guidance at its meeting on 13 November 2008. This Annual Governance Statement for 2020/21 has been prepared in line with the revised code of corporate governance and the 2016 framework.

Corporate governance is overseen by the Audit Committee each year when it reviews this statement, under delegation from the full Council. The operational elements of the Council’s governance framework are the responsibility of the Chief Operating Officer and the Monitoring Officer within their statutory roles. Cabinet as the Executive also plays a significant role in ensuring that decision making and policy setting is undertaken appropriately.

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

Account has been taken of the 7 April 2020 CIPFA Better Governance Forum briefing paper, and references are made throughout to the impact of the Covid-19 pandemic on the Council, which started shortly before the period this statement relates to.

The purpose of the governance framework

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

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

Review of effectiveness of the governance framework

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

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

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

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

The following section of the statement summarises the results of this review; presenting the governance framework that has been in place at Medway Council for the year ended 31 March 2021 and up to the date of approval of this Statement.

Core Principle	How we have complied in 2020/21
Principle A: "Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law"	The roles and responsibilities of elected members and officers and the processes to govern the conduct of the Council's business are defined in the Constitution, Contract Standing Orders and Financial Regulations; the Monitoring Officer is responsible for reviewing and updating these as required. Codes of conduct are in place for and define the high ethical values and standards of behaviour expected from elected members and officers to make sure that public business is conducted with fairness and integrity. The Monitoring Officer is responsible for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with. The Councillor Conduct Committee is regularly updated on compliance with the Code of Conduct. The outcome of complaints made under the whistle blowing policy are reported to the Audit Committee on an annual basis, in order that they can keep them under review. The policy has recently been reviewed, redrafted and renamed the Speak Up policy and was approved by full Council in January 2021. The Council seeks feedback from the public through its complaints and comments procedures and responds to the outcomes, as appropriate.
Principle B: "Ensuring openness and comprehensive stakeholder engagement"	Council meetings are held in public unless there are good reasons for not doing so on the grounds of considering "exempt" information within the meaning of the Local Government Act 1972, Schedule 12A. Unless confidential, decisions made by Council, the Cabinet or other Committees are documented in the public domain. All decisions are explicit about the criteria, rationale and considerations used. The impact and consequences of all decisions are clearly set out. The Council seeks community views on a wide range of issues and undertakes regular consultation and engagement with citizens and service users. During the Covid-19 Pandemic, virtual meetings have been held to conduct Council business and where necessary urgent decisions allowed for in the Constitution have been taken by the Leader and/or Chief Executive, which have then been reported. Virtual meetings ceased with effect from 7 May 2021 as the relevant legislation permitting virtual meetings expired.

Core Principle	How we have complied in 2020/21
Principle C: "Defining outcomes in terms of sustainable economic, social, and environmental benefits."	The Council works with its partners to set the vision and priorities for the area. The Council manages a process of bringing together performance data, demographic information and consultation findings to determine key shared priorities. In 2019 the Council reviewed the Council Plan 2016/17-2020/21, its corporate business plan, to an aligned timetable with the resources strategy and budget. In February 2019 the council refreshed the Council Plan performance indicators. The Plan forms an essential part of the Council's governance framework, setting out the council's priorities and the measures against which success will be judged. All reports to the Council or Cabinet are checked by the Chief Operating Officer (the section 151 Officer) and the Chief Legal Officer (the Monitoring Officer) for financial and legal implications. The Council has been rigorous and transparent about how decisions are taken and recorded. Cabinet reports include a mandatory paragraph on risk to enable the Council to consider the implications of its decisions. Equalities are considered during the decision making process to promote fair access to services. All Cabinet and Council decisions are made on the basis of formal reports, which all follow a standard Council template. The template includes guidance on report writing which specifically refers to Diversity Impact Assessments ("DIA") and provides a link to the Council's DIA guidance which sets out how and when these should be completed. During the Covid-19 pandemic lockdown to minimise risk and to follow Government Guidance, Council meetings which would normally be open to the public have been livestreamed, via Microsoft TEAMS. Since physical meetings resumed after 7 May 2021, live streaming has and will continue until 21st June 2021 and will be reviewed in accordance with government guidance.
Principle D: "Determining the interventions necessary to optimise the achievement of the intended outcomes"	Decision makers receive objective analysis on a variety of options indicating how intended outcomes would be achieved together with the risks associated with those options. In determining how services and other courses of action should be planned and delivered the Council is increasingly engaging with internal and external stakeholders. Community benefit is an important consideration in the procurement of goods and services. The Council fosters effective relationships, collaborative working and contractual arrangements with other public, private, and voluntary organisations in delivering services that meet the needs of the local community as stated in the Council Plan. For example, significant partner engagement in health and social care Strategic and Locality Plans.

Core Principle	How we have complied in 2020/21
Principle E: “Developing the entity’s capacity, including the capability of its leadership and the individuals within it”	The corporate management team consists of the Chief Executive, three Directors (one of whom is the Deputy Chief Executive), the Chief Operating Officer (Section 151 Officer), Chief Legal Officer (Monitoring Officer), five Assistant Directors, the Head of HR and the Head of Communications and Marketing. The roles of officers are defined in agreed job profiles. Staff performance is reviewed on an annual basis in accordance with the performance and development review (PDR) process. The Chief Executive is responsible and accountable to the Council for all aspects of management including promoting sound governance, providing quality information/support to inform decision making and scrutiny, supporting other statutory officers, and building relationships with all Councillors. The Member development programme has included a focus on scrutiny of Children’s Services to support the work to improve that area of the Council.
Principle F: “Managing risks and performance through robust internal control and strong public financial management”	The Council which has overall responsibility for directing and controlling the organisation has approved an Executive / Scrutiny model of decision making. The “executive committee” or Cabinet is the key decision-making and monitoring committee and the various scrutiny committees for reviewing policy decisions before and after implementation. The Council has a risk management strategy and approach whose main priorities are the robust systems of identification, evaluation and control of risks which threaten the Council’s ability to meet its objectives to deliver services to the public. The Chief Operating Officer (the Section 151 officer) is responsible for the proper administration of all aspects of the Council’s financial affairs including ensuring appropriate advice is given to the Council on all financial matters. The Council’s system of internal financial control is based on a framework of financial regulations, regular management information, administrative procedures (including segregation of duties), management supervision and a system of delegation and accountability. The Council has a proactive, holistic approach to tackling fraud, theft, corruption and crime, as an integral part of protecting public finances, safeguarding assets, and delivering services effectively and sustainably. A Medium Term Financial Strategy and associated Risk Register, and plans for revenue and capital income and expenditure based on corporate priorities are developed, led by the Cabinet and Corporate Management Team, and presented for approval by Council in February each year. Revenue and Capital Budget Monitoring reports are presented to the Cabinet on a quarterly basis for monitoring and control purposes including the annual outturn. During the Covid-19 pandemic, the Council has mobilised an internal control structure of Gold, Silver and Bronze and supported the Kent Resilience Forum in providing a Medway and Kent multi-agency response to the situation. Although discretionary services were stopped on Government advice, key statutory services such as Children’s Services, Housing, Adults Services and Waste collection were maintained. Policy for the Council’s response was set at the Gold level with regular community assurance messages given by the Leader of the Council. Tactical decisions to keep services going were made at the Silver level with some concentrated work around key risks such as the re-opening of schools, high streets and buildings managed at a Bronze level. In line with best practice the Council prepared for recovery from the start of the pandemic, in March 2020, and has adapted to various new legislation in response to further lockdowns and the roadmap to lift restrictions in 2021.

Core Principle	How we have complied in 2020/21
Principle G: “Implementing good practices in transparency, reporting, and audit to deliver effective accountability”	The Head of Audit & Counter Fraud provides an independent and objective annual opinion on the effectiveness of internal control, risk management and governance. This is carried out by an in-house team in conformance with the Public Sector Internal Audit Standards. The opinion of the Head of Audit & Counter Fraud over the Council’s overall control environment, delivered in the Audit & Counter Fraud Annual Report 2020/21 is: The Accounts & Audit Regulations 2015 require local authorities to ensure that they have: a sound system of internal control which—(a) facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk. The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The Audit & Counter Fraud Team has carried out all internal audit work in line with the Public Sector Internal Audit Standards and in accordance with our Quality Assurance & Improvement Programme. In their capacity as Chief Audit Executive (CAE), with responsibility for the provision of internal audit services to the council, the CAE is required to provide the organisation, and the Chief Executive, with a statement as to their opinion of the adequacy and effectiveness of the organisation’s risk management, control and governance processes. This opinion is intended to support the council’s annual governance statement. In assessing the level of assurance to be given, the following have been taken into account; • The results of all work carried out by the Audit & Counter Fraud Shared Service for Medway from the preparation of the Annual Internal Audit Report 2019-20 in July 2020 to the 31 March 2021, • Follow-up of recommendations linked to audits from previous periods, • Significant recommendations not accepted by management or acted upon and the consequent risks, • The effects of any significant changes in the organisation’s objectives or systems, including, • The effects of changes to the control environment resulting from emergency decisions taken in response to the Covid 19 Pandemic, • Front line assurance related activities undertaken by redeployed Audit & Counter Fraud staff in new areas of risk, such as business support grants, • Matters arising from previous reports to the organisation, and • The results of work performed by other assurance providers.

Core Principle	How we have complied in 2020/21
	The CAE is satisfied that there has been an adequate level of internal audit assurance work undertaken as part of the 2020/21 plan, which was revised to ensure there was adequate focus on highest risks and new & emerging risks as a result of the pandemic. In addition, the CAE has chaired the 'governance cell' of the council's Tactical Command Group, monitoring the emergency decisions made and ensuring they are assessed for their implications, which has also provided continual sight of the risk registers being used by services and the ability to see the levels of risk management throughout the emergency response. The service has also been involved in front-line assurance activity in the new risk area of business grants, with Audit & Counter Fraud staff redeployed to assist with the assessment and validation of claims. However, in forming their opinion for 2020-21, they are also placing greater reliance on alternative forms of assurance, such as the report from the Commissioner for Children's Social Care, than may have been the case in previous years due to the reduced level of planned reviews. Taking all this into account, the CAE believes that there is sufficient evidence to draw a reasonable conclusion as to the adequacy and effectiveness of the organisation's risk management, system of internal control and governance processes. While it has been identified that the authority has mainly established adequate internal controls within the areas subject to review between 01 July 2020 and 31 March 2021, there are areas where compliance with existing controls should be enhanced or strengthened or where additional controls should be introduced to reduce the risk of loss to the authority. Where such findings have been made, recommendations have been made to management to improve the controls within the systems and processes they operate. Management have accepted responsibility for the implementation of these recommendations and follow up arrangements are in place to ensure that appropriate action is taken. The results of all work completed will be reported to the Finance & Audit Committee in accordance with the Audit & Counter Fraud Charter. **It is therefore the Chief Audit Executive's opinion that Medway Council's framework of governance, risk management and system of internal control is adequate and effective, and contributes to the proper, economic, efficient, and effective use of resources in achieving the council's objectives.**

Update on actions identified in the 2019/20 Annual Governance Statement

The Annual Governance Statement for 2019/20 identified following areas where the Council will seek to enhance its arrangements in the coming year:

(a) The impact of the Covid-19 pandemic has been felt across the full range Council services, both essential and discretionary. This has been reflected in an unprecedented budgetary impact. Commitments made at the start of the pandemic by the Minister for Housing, Communities and Local Government, suggested that Council would be compensated for the financial impact of reductions in incomes and increased costs during the main “response” phase of the pandemic. It remains to be seen whether that compensation will be forthcoming. The Council has reported a possible £40 million gap in its finances. This will represent an insurmountable gap, without some central Government intervention. Significant effort will be required by Cabinet and Officers to identify budget efficiencies to offset pressures that are identified through the quarterly reporting of the revenue and capital budgets.

Update: Since Full Council approved the 2020/21 budget in February 2020, in response to the Covid-19 pandemic more than £108million of additional grant funding was added to the revenue budget. While the majority of this was delivered to Medway’s businesses, social care providers and individuals through various packages of support, the funding included the second, third and fourth tranches of non-ringfenced grants worth £16.441million. In addition the government introduced a Sales, Fees and Charges Income Compensation Scheme though which authorities are able to claim for a proportion of any losses (net of any savings made in service delivery) against eligible services. Together, the emergency support funding and income compensation funded the expenditure pressures and income shortfalls experienced across the Council’s services in 2020/21, with £3.918million to be transferred to general reserves to fund our 2021/22 revenue budget requirement. While restrictions look set to continue to ease during 2021/22, the long term financial impacts of the pandemic on the Council’s budget are not yet known, with projections being developed for our Medium Term Financial Strategy as to the impacts on the economy and the implications for our tax base, the demand for statutory services and the Council’s income generating services for years to come.

(b) The Children’s Services improvement journey must be sustained and initiatives such as a Child Friendly Medway will have a role to play in showing that the Council means business in wanting better outcomes for all children. Concerted corporate effort from the Lead Member, Leader, Chief Executive, Director of Children and Adults, Corporate Management Team and colleagues both in Children’s Services and other Council teams will be needed to effect better outcomes for the most vulnerable children in Medway. Additional training for Members to scrutinise risks and progress will have a role to play. Performance will need to be carefully monitored through the Children’s Improvement Board. The role of the Corporate Parenting Board in ensuring the voice of the child is heard will also be important to demonstrating improvement.

Update: The Children’s Improvement Board, which is independently chaired and has a key role in oversight and challenge of the Improvement Plan, has continued to meet monthly and receives reports on progress from the Director of People and on performance from the Assistant Director of Children’s Services. The Commissioner, appointed by the DFE to advise on whether Medway had the capacity to continue to run its own services reported in December 2020, with a recommendation that her role conclude, that Medway was making progress and that the DFE should appoint an Improvement Adviser to continue to offer support through their improvement journey. Gladys Rhodes White took on this role in January 2021 and is a member of the Improvement Board.

In recognition of progress made, the Improvement Plan was refreshed, updated and signed off by the Board in May 2021. It sets out the agenda for the coming year.

The Lead Member, Leader, Chief Executive, Corporate Management Team and colleagues in other Council teams have continued to support Children’s Services in all aspects of the improvement plan and the Lead Member undertakes regular safeguarding visits to families along with the Director to ensure a line of sight into practice. Elected members have also had the opportunity to participate in workshops to improve their understanding of how the service is delivered so that they can provide effective scrutiny, support and challenge.

Corporate Parenting Board members have undertaken training and have worked together to develop a suite of performance indicators which support them in their oversight and scrutiny of the Councils' role as a corporate parent. A number of initiatives have been supported by the Council including an event to support care leavers into employment or further education and training.

Senior Leaders, including the Leader, Lead Member, Chief Executive and Director meet regularly with the DFE appointed Improvement Adviser to focus on practice improvement and review findings of all quality assurance activity.

Ofsted suspended their regular programme of quarterly monitoring visits due to Covid, but have undertaken one Monitoring Visit in August 2020 and a Covid Assurance visit in May 2021. Reports of both visits acknowledged progress and no child was found to be unsafe. Medway was found to know itself well and understand priorities for ongoing improvement work.

The service has continued to seek external support for its improvement work, from Essex as our DFE funded Partner in Practice and from other externally commissioned reviews across all service areas.

The Child Friendly Medway Board has been set up, chaired by the Chief Executive, and a consultation exercise with children and young people in Medway is currently underway to explore what actions are seen as a priority to improve their experience of living in Medway. This work will benefit all children but must have a particular focus on the most vulnerable.

(c) The delivery of key operational and regenerative projects remains a priority for the Council and none more so than the £170 million Housing Infrastructure Fund project. Appropriate project management including Member oversight will be needed to ensure progress against key milestones. Consideration will be needed to the consequences of delaying some of the current live projects, due to the impact of the Covid-19 pandemic and the cessation of some projects, where market change dictates. Judgements made will need to involve professional officer advice and where merited, specialist external advice.

Update: Despite Covid and various forms of lockdown regeneration projects have continued progressing. The Council responded quickly in supporting the change of working culture from the office to working from home. The vast majority of delivery functions have been possible and have continued throughout the year. There was some delay to live build projects such as Rochester Riverside with the Council's development partner Countryside halting works earlier in 2021 as per government guidance, but this was a short period and development has continued with the majority of homes in the current phase already sold or reserved. Medway's housing market is very much in demand and has proved to be resilient despite the Covid pandemic.

(d) Climate change. The Council declared a climate change emergency in April 2019. Work is progressing to base line the carbon emissions within Medway to date and consider a range of measures to complement work already happening to respond to the climate change emergency. Concerted effort across a number of energy reduction and environmental schemes will be needed to deliver the strategic aims identified. Performance will be enhanced by community leadership by the Council through the Deputy Leader, supported by Officers and partners to deliver improved outcomes.

Update: Responding to the climate emergency has remained a key priority for the Council. One Full Time Equivalent (FTE) post was recruited to in April 2020 to coordinate the development of a Climate Change Action Plan, with support from the Strategic Environmental Protection Manager and Head of Environmental Services. There has also been significant input from officers across the Council.

This area of work was also supported by an intern from the University of Kent for 12 weeks during 2020. This work also included the oversight of a technical study to understand the Council's carbon emissions and to further understand the necessary data collection requirements to support accurate future emissions reporting. Performance and progress has been regularly monitored through the established governance processes and continued leadership from the Deputy Leader. The action plan was prepared, ready for endorsement by Cabinet in early 2021/22.

In 2020/21 work began on the development of Re:fit, a £12 million retrofit programme across the Council's estate, which will result in substantial energy and financial savings. Work has continued to expand and improve upon Medway's cycleways, now at 80 miles with a 20% increase in the uptake of cycling. The delivery of an ambitious £11 million LED street lighting replacement programme has continued; with 24,000 lanterns due to be completed in Summer 2022. 13, 842 small trees were planted across 10 sites in Medway in early 2021, via the Forestry Commission Urban Tree Challenge Fund and a new donation page for residents and businesses to support tree planting across Medway went live in November 2020. 30 miles of wildflower verges were created during 2020, allowing a wider diversity of wild grasses and flowers to thrive. To further support our net zero carbon vision, a 12 month trial of 6 EVs for staff business use commenced in November 2020, the uptake of which is being monitored. Officers also developed plans for the installation, by Summer 2021, of 34 EV charging points. This work will be funded by the Office of Zero Emission Vehicles and match funded by the Council.

(e) Recovery from the Covid-19 pandemic could present a sustained risk to the Council and the local community. With work having started in March, as the pandemic was declared, the Council has taken a best practice approach to preparing for recovery. Appropriate strategic direction will be needed from the Leader and Cabinet to focus how the Council will contribute to and manage recovery. Officers will want to draw on the heightened levels of collaborative working that have been a key characteristic of the response to the pandemic to enhance the recovery phase.

Update: In light of the second lockdown from December 2020 this action is carried forward to 2021-22.

Proposed enhancements to the Council's governance arrangements

The review of the effectiveness of the Council's governance framework for 2020/21 did not highlight any specific areas of concern. Where internal audit work has indicated additional controls could be in place, officers are focused on making the necessary changes to do so.

However, the following areas identified as paragraphs a) and e) in last year's governance report are to be carried forward for further work in the coming year due to the unprecedented circumstances created by the Covid-19 pandemic:

(a) The impact of the Covid-19 pandemic has been felt across the full range Council services, both essential and discretionary. This has been reflected in an unprecedented budgetary impact. Commitments made at the start of the pandemic by the Minister for Housing, Communities and Local Government, suggested that Council would be compensated for the financial impact of reductions in incomes and increased costs during the main "response" phase of the pandemic. It remains to be seen whether that compensation will be forthcoming. It is anticipated that the aftermath of the pandemic will impact on the demand for statutory services and the collection of both fees and charges and tax revenues for some time and without the continuation of financial support from central Government balancing annual revenue budgets would be extremely challenging. Significant effort will be required by Cabinet and Officers to identify budget efficiencies to offset pressures that are identified through the quarterly reporting of the revenue and capital budgets.

(b) Recovery from the Covid-19 pandemic could present a sustained risk to the Council and the local community. With work having started in March 2020, as the pandemic was declared, the Council has taken a best practice approach to preparing for recovery. Appropriate strategic direction will be needed from the Leader and Cabinet to focus how the Council will contribute to and manage recovery. Officers will want to draw on the heightened levels of collaborative working that have been a key characteristic of the response to the pandemic to enhance the recovery phase.

Conclusion

Based on the results of the review, reasonable assurance can be placed upon the adequacy and effectiveness of Medway Council's systems of internal control and governance. Although areas for further enhancement have been identified, the annual review demonstrates sufficient evidence that the Council's Local Code of Corporate Governance is operating effectively and that the Council complies with that Local Code in all significant respects.

Certification by the Leader of the Council

I confirm that the 2020/21 Annual Governance Statement has been considered and approved by Medway Council at the meeting of the Audit Committee on 28 July 2021:

………

Date:

Certification by the Chief Executive

I confirm that the 2020/21 Annual Governance Statement has been considered and endorsed by Medway Council's Corporate Management Team:

………

Date:

C. Written Statements

Medway Council
Serving You

Statement of Responsibilities

The Authority's Responsibilities

The authority is required to:

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

The Chief Financial Officer's Responsibilities

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

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

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

The chief financial officer has also:

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

Certificate of the Chief Operating Officer

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Authority at the reporting date and of its expenditure and income for the year ended 31 March 2021.

Signed:

Phil Watts

Chief Operating Officer, Section 151 Officer

Dated: 22/02/2023

Approval of the Statement of Accounts

In accordance with Accounts and Audit Regulations 2015 I certify that the Statement of Accounts for the period ending 31 March 2021 was approved at the meeting of Audit Committee held on 16 March 2023.

Signed:

Councillor Richard Thorne

Chair of the Audit Committee

Dated: 16/03/2023

Independent Auditors Report to the Members of Medway Council

To be added

Placeholder

Placeholder

Placeholder

Placeholder

Chatham Waterfront
Bus Station,
Chatham

D. Core Financial Statements

Medway Council
Serving You

Comprehensive Income and Expenditure Statement

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

2019/20					2020/21		
Gross Expenditure	Gross Income	Net Expenditure	Service	Notes	Gross Expenditure	Gross Income	Net Expenditure
£'000	£'000	£'000			£'000	£'000	£'000
95,699	(87,473)	8,226	Business Support Department		108,460	(81,347)	27,113
280,974	(150,686)	130,288	Children's and Adults (inc. Public Health)		321,419	(158,240)	163,179
16,877	(14,365)	2,512	Local authority housing (HRA)		21,026	(14,097)	6,929
127,959	(38,339)	89,620	Regeneration, Culture & Environment		115,218	(24,579)	90,639
521,509	**(290,863)**	**230,646**	**Cost of Services**		**566,123**	**(278,263)**	**287,860**
11,881	0	11,881	Other operating expenditure	9	10,425	0	10,425
19,481	(4,908)	14,573	Financing and investment income and expenditure	10	19,579	(4,341)	15,238
0	(215,476)	(215,476)	Taxation and non-specific grant income and expenditure	11	0	(242,641)	(242,641)
0	0	0	- Sec.31 75% Tax Income Guarantee & Business Rates Relief Compensation Grant	11	0	(16,687)	(16,687)
552,871	**(511,247)**	**41,624**	**(Surplus) or Deficit on Provision of Services**		**596,127**	**(541,932)**	**54,195**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services				
		(46,241)	Surplus on revaluation of property, plant and equipment assets	36			(26,559)
		33,874	Revaluation losses on non-current assets charged to the Revaluation Reserve	36			21,675
		(17,418)	Re-measurement of net defined pension liability/(asset)	37			42,063
		(29,785)					**37,179**
			Items that may be reclassified to the (Surplus) or Deficit on the Provision of Services				
		0	(Surplus)/deficit on revaluation of available for sale financial assets	36			0
		0					**0**
		(29,785)	**Other Comprehensive Income and Expenditure**				**37,179**
		11,839	**Total Comprehensive Income and Expenditure**				**91,374**

Medway Council Serving You

Movement in Reserves Statement

The Movement in Reserves Statement shows the movement from the start of the year to the end on the different reserves held by the authority, analysed into ‘usable reserves’ (i.e. those that can be applied to fund expenditure or reduce local taxation) and other ‘unusable reserves’. The Statement shows how the movements in year of the authority’s reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax (or rents) for the year. The Net Increase/Decrease line shows the statutory General Fund Balance and Housing Revenue Account Balance movements in the year following those adjustments.

A summary of the purpose of each reserve is as follows:

General Fund Balance *– This is the ‘working balance’ of the Authority and acts as a contingency to fund unforeseen eventualities.*

Housing Revenue Account *– This contains any surplus or deficit arising from the provision of Authority housing by the Authority and earmarked Housing Revenue Account reserves. It can only be used for local authority housing provision.*

Earmarked General Fund Reserves *- These are reserves created to fund specific revenue or capital expenditure relating to the General Fund.*

Dedicated Schools Grant Reserve *- Significant increase in Special Educational Needs (SEN) expenditure in 2018/19 and 2019/20 was transferred here. The deficit on this reserve was transferred to an unusable reserve, the Dedicated Schools Grant Adjustment Account during 2020/21, the purpose of which will be to manage the deficit on Schools Budgets that would otherwise impact on the Earmarked Schools Reserves. Statutory arrangements require that the impact on the General Fund Balances is neutralised by this transfer. This reserve is disclosed on the face of this statement for transparency purposes.*

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

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

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

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

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

Movement in Reserves Statement (continued)

2020/21	Notes	Revenue Reserves							Capital Reserves					
		General Fund Balance £000s	Earmarked General Fund Reserves £000s	Dedicated Schools Grant Reserve £000s	Total General Fund Balance £000s	Housing Revenue Account £000s	Earmarked Housing Revenue Account Reserves £000s	Total Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Total Usable Reserves £000s	Unusable Reserves £000s	Total Reserves £000s
Balance at 31 March 2020		**(13,924)**	**(21,532)**	**9,346**	**(26,111)**	**(5,145)**	**(1,601)**	**(6,745.8)**	**(5,463)**	**0**	**(18,764)**	**(57,084)**	**(170,325)**	**(227,410)**
Reporting of schools budget deficit to new adjustment account at 1 April 2020		0	0	(9,346)	(9,346)	0	0	0	0	0	0	(9,346)	9,346	0
Restated Balance at 1 April 2020		**(13,924)**	**(21,532)**	**(0)**	**(35,457)**	**(5,145)**	**(1,601)**	**(6,746)**	**(5,463)**	**0**	**(18,764)**	**(66,429)**	**(160,980)**	**(227,409)**
Movement in reserves during 2020/21														
Total Comprehensive Expenditure and Income		45,203	0	0	45,203	8,992	0	8,992	0	0	0	**54,195**	37,179	**91,374**
Adjustments between accounting & funding basis under regulations	19	(89,834)	0	0	(89,834)	(7,947)	0	(7,947)	(1,210)	0	(7,152)	**(106,144)**	106,144	**0**
Net (increase)/decrease before transfers to Earmarked Reserves		**(44,631)**	**0**	**0**	**(44,631)**	**1,045**	**0**	**1,045**	**(1,210)**	**0**	**(7,152)**	**(51,949)**	**143,323**	**91,374**
Movements in Earmarked Reserves	20	35,866	(35,866)	0	0	(1,295)	1,295	0	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2020/21		**(8,765)**	**(35,866)**	**0**	**(44,631)**	**(250)**	**1,295**	**1,045**	**(1,210)**	**0**	**(7,152)**	**(51,949)**	**143,323**	**91,374**
Balance at 31 March 2021 carried forward		**(22,689)**	**(57,398)**	**(0)**	**(80,087)**	**(5,395)**	**(306)**	**(5,701)**	**(6,674)**	**0**	**(25,916)**	**(118,378)**	**(17,657)**	**(136,035)**

The restatement relates to the separation of the Dedicated Schools Grant Reserve, which was previously held within Earmarked General Fund Reserves but has been shown separately to enable a greater understanding of the financial position of this reserve for the reader.

Movement in Reserves Statement (continued)

2019/20	Notes	Revenue Reserves							Capital Reserves					
		General Fund Balance	Earmarked General Fund Reserves	Dedicated Schools Grant Reserve	Total General Fund Balance	Housing Revenue Account	Earmarked Housing Revenue Account Reserves	Total Housing Revenue Account	Capital Receipts Reserve	Major Repairs Reserve	Capital Grants Unapplied	Total Usable Reserves	Unusable Reserves	Total Reserves
		£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s	£000s
Balance at 1 April 2019		**(9,039)**	**(17,126)**	**4,139**	**(22,027)**	**(5,114)**	**(1,194)**	**(6,307.6)**	**(1,110)**	**(100)**	**(10,988)**	**(40,532)**	**(198,716)**	**(239,248)**
Movement in reserves during 2019/20														
Total Comprehensive Expenditure and Income		37,554	0	0	37,554	4,070	0	4,070	0	0	0	**41,624**	(29,785)	**11,839**
Adjustments between accounting & funding basis under regulations	19	(41,638)	0	0	(41,638)	(4,508)	0	(4,508)	(4,354)	100	(7,776)	**(58,175)**	58,175	**0**
Net (increase)/decrease before transfers to Earmarked Reserves		**(4,083)**	**0**	**0**	**(4,083)**	**(438)**	**0**	**(438)**	**(4,354)**	**100**	**(7,776)**	**(16,552)**	**28,390**	**11,839**
Movements in Earmarked Reserves	20	(801)	(4,406)	5,207	0	407	(407)	0	0	0	0	**0**	0	**0**
(Increase)/Decrease in 2019/20		**(4,884)**	**(4,406)**	**5,207**	**(4,083)**	**(31)**	**(407)**	**(438)**	**(4,354)**	**100**	**(7,776)**	**(16,552)**	**28,390**	**11,839**
Balance at 31 March 2020 carried forward		**(13,924)**	**(21,532)**	**9,346**	**(26,111)**	**(5,145)**	**(1,601)**	**(6,745.8)**	**(5,463)**	**0**	**(18,764)**	**(57,084)**	**(170,325)**	**(227,410)**

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Balance Sheet

The Balance Sheet shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Authority. The net assets of the Authority (assets less liabilities) are matched by the reserves held by the Authority. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Authority may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Authority is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations.

31 March 2020 £'000	Balance Sheet Summary	Notes	31 March 2021 £'000
690,087	Property Plant & Equipment	21	673,566
17,859	Heritage Assets	22	18,223
16,769	Investment Property	24	16,869
1,082	Intangible Assets		563
21,979	Long Term Investments	26	21,535
2,406	Long Term Debtors	30	16,640
750,182	**Long Term Assets**		**747,396**
32,779	Assets Held for Sale <1 Year	25	18,392
88	Inventories		113
6,969	Short Term Investments	26	490
70,997	Short Term Debtors	30	88,581
40,564	Cash and Cash Equivalents	32	24,606
151,397	**Current Assets**		**132,182**
(1,882)	Cash and Cash Equivalents	32	(7,670)
(5,762)	Grants Receipts in Advance - Revenue		(553)
(36,250)	Short Term Borrowing	26	(48,183)
(56,983)	Short Term Creditors	33	(72,802)
(17)	Finance Leases < 1 Year	29	(276)
(2,542)	Provisions (Short Term)	34	(1,930)
(103,436)	**Current Liabilities**		**(131,414)**
(31,852)	Long Term Creditors	33	(30,795)
(6,957)	Provisions (Long Term)	34	(5,806)
(262,672)	Long Term Borrowing	26	(235,433)
(267,045)	Other Long Term Liabilities	29,37	(336,097)
(2,207)	Grants Receipts in Advance - Capital	17	(3,997)
(570,734)	**Long Term Liabilities**		**(612,128)**
227,410	**Net Assets**		**136,036**
(57,084)	Usable Reserves	31	(118,379)
(170,325)	Unusable Reserves	36	(17,657)
(227,410)	**Total Reserves**		**(136,036)**

The unaudited accounts were issued on 07 March 2022 and the audited accounts were authorised for issue on 16 March 2023.

Cash Flow Statement

The Cash Flow Statement shows the changes in cash and cash equivalents of the Authority during the reporting period. The statement shows how the Authority generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Authority are funded by way of taxation and grant income or the recipients from services provided by the Authority. Investing activities represent the extent to which cash outflows have been made for resources, which are intended to contribute to the Authority's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowing) to the Authority.

2019/20 £'000		Notes	2020/21 £'000
41,624	Net (Surplus) or deficit on the provision of services		54,195
(94,665)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements		(70,172)
33,768	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities		30,865
(19,273)	**Net cash flows from Operating Activities**	38	**14,888**
29,760	Investing Activities	39	(8,449)
(45,405)	Financing Activities	40	15,306
(34,918)	**Net (increase) or decrease in cash and cash equivalents**		**21,745**
3,764	**Cash and cash equivalents at the beginning of the reporting period**		**38,682**
38,682	**Cash and cash equivalents at the end of the reporting period**	32	**16,936**

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E. Notes to the Core Financial Statements

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E1. Statement of Accounting Policies

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Note 1. Accounting Policies

General Principles

The financial statements summarise the Authority's transactions for the 2020/21 financial year and its position at the year-end of 31 March 2021. The authority is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 in accordance with proper accounting practices. These practices under Section 21 of the 2003 Act primarily comprise the Code of Practice on Local Authority Accounting in the United Kingdom 2020/21, supported by International Financial Reporting Standards (IFRS).

The accounting convention adopted in the Statement of Accounts is principally historical cost, modified by the revaluation of certain categories of non-current assets and financial instruments.

Qualitative Characteristics of Financial Statements

Relevance

The accounts have been prepared with the objective of providing information about the Council's financial performance and position that is useful for assessing the stewardship of public funds and for making financial decisions.

Materiality

The concept of materiality has been utilised in preparing the accounts so that insignificant items and fluctuations under an acceptable level of tolerance are permitted provided that in aggregate they would not affect the interpretation of the accounts.

Faithful Representation

The financial information in the accounts is a faithful representation of the economic performance of the Council as they have been prepared to reflect the reality or substance of the transaction, are free from deliberate or systematic bias, material error and contain all the information necessary to aid understanding.

Comparability

The accounts must comply with the Code which establishes proper practice in relation to consistent financial reporting, allowing for the possibility to compare over time and to similar entities.

Verifiability

Different knowledgeable and independent observers will be able to reach the same conclusion from the information presented in the accounts.

Timeliness

The information provided in the accounts is available to decision makers in time to be capable of influencing their decisions.

Understandability

These accounts are based on accounting concepts and terminology which require reasonable knowledge of accounting and local Government. Every effort has been made to use plain language and where technical terms are unavoidable, they have been explained in the glossary contained within the accounts.

Underlying Assumptions

Accruals Basis

The financial statements, other than the cash flow, are prepared on an accruals basis. Income and expenditure are recognised in the accounts in the period in which it is earned or incurred not as the cash is received or paid.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

Primacy of Legislation Requirements

In accordance with the Code, where an accounting treatment is prescribed by law then it has been applied, even if it contradicts accounting standards. The following are examples of legislative accounting requirements have been applied when compiling these accounts:

- Capital receipts from the disposal of property, plant and equipment are treated in accordance with the provisions of the Local Government Act 2003.
- The Local Government Act 2003 requires the Council to set aside a minimum revenue provision.

The Housing Revenue Account is compiled following proper practice as defined by the Local Government and Housing Act 1989 and section 21 of the 2003 Act.

Note 1. Accounting Policies (continued)

Accruals of Income and Expenditure

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. However, it is the Authority's policy not to accrue for amounts less than £500 unless it is considered significant to the service. There are particular areas where accruals are considered:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments for them are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

Exceptions to this are payments of:

- Regular quarterly accounts (e.g., telephones, electricity, ICT contracts for software and hardware)
- Employee expenses and overtime allowances.

These have been consistently applied each year and therefore do not have a material effect on the year's accounts.

Charges to Revenue for Non-Current Assets

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

- depreciation attributable to the assets used by the relevant service
- revaluation and impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off
- amortisation of intangible assets attributable to the service.

The Authority is not required to raise Council Tax to fund depreciation, revaluation or impairment losses. However, it is required to make an annual contribution from revenue towards the reduction in its overall borrowing requirement equal to an amount, calculated on a prudent basis, determined by the Authority in accordance with statutory guidance. Depreciation, revaluation, and impairment losses are therefore replaced by the contribution in the General Fund Balance (Minimum Revenue Provision [MRP]), by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Council Tax and Non-Domestic Rates

Billing authorities act as agents, collecting council tax and non-domestic rates (NDR) on behalf of the major preceptors (including government for NDR) and, as principals, collecting council tax and NDR for themselves.

Billing authorities are required by statute to maintain a separate fund (i.e., the Collection Fund) for the collection and distribution of amounts due in respect of council tax and NDR.

Under the legislative framework for the Collection Fund, billing authorities, major preceptors and central government share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted.

Accounting for Council Tax and NDR

The council tax and NDR income included in the Comprehensive Income and Expenditure Statement is the Authority's share of accrued income for the year. However, regulations determine the amount of council tax and NDR that must be included in the Authority's General Fund. Therefore, the difference between the income included in the Comprehensive Income and Expenditure Statement and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement.

The Balance Sheet includes the Authority's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments and prepayments and appeals.

Note 1. Accounting Policies (continued)

Overheads and Support Services

The costs of overheads and support services are charged to service segments in accordance with the Authority’s arrangements for accountability and financial performance.

VAT

VAT, whether of capital or revenue nature, is included in the Comprehensive Income and Expenditure Statement only to the extent it is unrecoverable.

Note 2. Accounting standards issued but not yet adopted

International Accounting Standard 8 requires the Authority to disclose the expected impact of new standards that have been issued but not yet adopted, which may require disclosure in 2021/22 accounts. The following are listed in Appendix C of the 2021/22 Code:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

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

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

- **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2024. It is not possible to quantify the potential effect this will have on the Statements until further works are carried out.

Note 3. Critical Judgement in Applying Accounting Policies

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

- **Future funding for Local Government:** There is a high degree of uncertainty about future levels of funding for local government. However, the Authority has determined that this uncertainty is not yet sufficient to provide an indication that the assets of the Authority might be impaired because of a need to close facilities and reduce levels of service provision.
- **Interests in Companies and Other Entities:** The Council has interests in other entities that fall within the group boundary of the Council on the grounds of control and significant influence in line with the Code. The Council's interests in both Kyndi Ltd and Medway Development Company as subsidiaries are considered material to the Council's overall financial position and therefore have been consolidated within group accounts for 2020/21. The Council's interest in Medway Norse Ltd, who reported net assets as at 20 March 2021 of £1.178m, as a joint venture is not currently considered material and therefore has not been consolidated into Group Accounts, but this position will remain under review for future financial years.
- **Joint Working**: The Council operates a number of joint working arrangements with other neighbouring local authorities. The Council believes that it is not necessary to impair any non-current assets in light of these working arrangements and any current proposals for changes to the way the services are to be delivered by the Council.

  Medway Council provided the following shared services and received contributions from Gravesham Borough Council in 2020/21:

• Legal	(£350k)
• Audit & Counter Fraud	(£209k)
• Payroll	(£ 40k)
• HR	(£179k)
• Information Governance	(£34k)
• MRBS Shared Management	(£74k)
• Monitoring Officer	(£10k)

  Gravesham Brough Council ran the following shared service on behalf of Medway Council leading to a contribution for 2020/21 of:

• Licensing	£192k

  Medway Council contributed to the South Thames Gateway Building Control Partnership (STG), an organisation working with other Local Authorities to run Building Control Services for 2020/21 as follows:

• Building Control	£123k

- **Property, Plant & Equipment**: The Authority recognises the land and buildings used by schools in line with the provisions of the Code of Practice. It states that property used by local authority maintained schools should be recognised in accordance with the asset recognition tests relevant to the arrangements that prevail for the property. The Authority recognises the schools land and buildings on its Balance Sheet where it directly owns the assets, the school or school Governing Body own the assets or

  transferred from another entity. Where the land and building assets used by the school are owned by an entity other than the Authority, school or school Governing Body then it is not included on the Authority's Balance Sheet. The Authority has completed a school by school assessment across the different types of schools it controls within Medway. Judgements have been made to determine the arrangements in place and the accounting treatment of the land and building assets. Voluntary aided schools the legal ownership of the land and buildings rests with the relevant Dioceses. The Diocese has granted a licence to the school to use the land and buildings. Under this licence arrangement, the rights of use of the land and buildings have not transferred to the school and thus are not included on the Authority's Balance Sheet. Remaining land relating to playing fields associated with the schools is however recognised on the Authority's Balance Sheet as follows:

	Number of Schools	Value of Land Recognised £'000
Voluntary Aided and Voluntary Controlled Schools	12	172

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

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

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

The items in the Authority's Balance Sheet at 31 March 2021 for which there is a significant risk of material adjustment in the forthcoming financial year are as follows:

Item	Uncertainties	Effect if actual results differ from assumptions
Pension Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. Public sector consultants Barnett Waddingham are engaged to provide the Authority with expert advice about the assumptions applied in producing the estimations.	The following sensitivity analysis relating to the present value of obligations of £969.469m as detailed within the sensitivity analysis table within Note 37 to the financial statements, are based upon complex judgements: A 0.1% decrease in the discount rate (the Merrill Lynch AA rated corporate bond curve) would result in an increase in the liability of £19.789m. A 1 year reduction in life expectancy assumptions would result in a £41.084m decrease in the pension liability.
Property, Plant & Equipment, Investment Properties & Assets Held for Sale	The outbreak of the Novel Coronavirus (COVID-19, has impacted on activity in many sectors. As at the valuation date, the valuers carrying out revaluations of two assets, those being the Pentagon Centre and Gun Wharf stated that there was significant uncertainty relating to outputs in relation to future income relating to them. Since current rental levels have been heavily affected by COVID-19 restrictions, it will likely take a period of 2-3 years to settle into a longer-term pattern due to factors such as reduced high street shopping and home working etc.	We are not currently able to quantify the possible effects that Covid-19 could have upon the valuation of these particular non-current assets, but needless to say, these valuations will be kept under constant review.

Property, Plant & Equipment, Investment Properties & Assets Held for Sale	The Council's internal valuers provided valuations as at March 2021 for all of the Council's investment portfolio and approximately 20% of its operational portfolio, all council dwellings and investment properties. The value of the assets subject to revaluation during 2020/21 were as follows: • Council Dwellings £156.182m • Other land & buildings £190.809m • Surplus Assets £ 19.604m • Investment Assets £ 16.869m • Assets Held for Sale £ 18.392m	Were there to be a 5% negative impact on the value of the assets valued in 2020/21, this would mean a reduction in the non-current assets in the balance sheet of £19.136m together with the associated unusable reserves.
Fair Value Measurements	Surplus and Investment Properties cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), so their fair value is measured using income or market approach valuation techniques. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible unobservable inputs, which require judgement, are used to establish fair values. The significant unobservable inputs used in the fair value measurement include assumptions regarding passing rents and yields, estimated sale values, revenue streams and discount rates. Information about valuation techniques and inputs used in determining the fair value of the Council's assets and liabilities is disclosed in notes 21, 24 and 26.	Sizable changes in any of the unobservable inputs would result in a significant lower or higher fair value measurement for those assets held at fair value

St Mary's Island

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

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Note 5. Expenditure and Funding Analysis

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

2019/20						2020/21				
Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances	Directorate	Management Accounts	Amounts Not Reported to Management/ Corporate Amounts	Net Expenditure in the Comprehensive Income and Expenditure	Adjustments between the Funding and Accounting Basis	Net Expenditure Chargeable to the General Fund and HRA Balances
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
9,374	(1,227)	8,146	(6,500)	1,646	Business Support Department	20,788	5,639	26,426	(18,216)	8,211
231,042	(100,378)	130,664	(12,265)	118,398	Children's and Adults (Inc. Public Health)	270,733	(107,042)	163,692	(23,975)	139,717
73,696	15,479	89,175	(32,118)	57,057	Regeneration, Community, Environment and Transformation	87,024	3,679	90,704	(22,375)	68,329
(658)	3,319	2,661	(4,508)	(1,847)	Housing Revenue Account	(365)	7,404	7,038	(7,947)	(909)
313,453	**(82,806)**	**230,647**	**(55,392)**	**175,255**	**Net Cost of Services**	**378,180**	**(90,320)**	**287,860**	**(72,513)**	**215,347**
7,122	(196,145)	(189,023)	9,246	(179,777)	Other operating income and expenditure	7,644	(241,309)	(233,665)	(25,269)	(258,933)
320,575	**(278,951)**	**41,624**	**(46,145)**	**(4,522)**	**(Surplus) or Deficit**	**385,824**	**(331,629)**	**54,195**	**(97,781)**	**(43,586)**
				(28,334)	Opening General Fund and HRA Balance					(32,856)
				0	Reporting of schools budget deficit to new adjustment account at 1 April 2020 [1]					(9,346)
				(4,522)	Add Surplus on General Fund and HRA Balance in Year					(43,586)
				(32,856)	**Closing General Fund and HRA Balance [2]**					**(85,788)**

[1] The 2020/21 opening balance for General Fund has increased by £9.346m, being the transfer of the Dedicated Schools Grant deficit to the Dedicated Schools Grant Adjustment Account within unusable reserves

[2] for a split of this balance between the General Fund and the HRA – see the Movement in Reserves Statement

Note 5. Expenditure and Funding Analysis (continued)

Management Accounts

These relate to the direct net costs of providing services and these figures are communicated directly to Council through the quarterly revenue monitoring reporting cycle.

Amounts Not Reported to Management/Corporate Amounts

These figures show accounting movements through the Comprehensive Income and Expenditure Statement (CIES) that do not form part of the Management Accounts. This includes:

- Directorate Specific: Appropriations relating transfers to/from reserves from/to management accounts
- Service related funding e.g. Dedicated Schools Grant etc.
- Recognition of capital grants used to fund Revenue Expenditure Funded by Capital Under Statute
- Impairment of non-current assets charged to the CIES
- Revenue Expenditure Funded by Capital Under Statute charged through the CIES
- IAS 19 adjustments
- Accumulated absences adjustments

Other Operating Income & Expenditure:

- Parish council precepts
- Non service specific funding e.g. Council Tax/NDR/Government Grants
- Pooling of capital receipts costs
- Profit/loss on the disposal of non-current assets
- Interest income & expenditure
- Gain/loss on the revaluation of financial assets
- Pension interest costs and return on assets charged to the CIES

Note 6. Note to Expenditure and Funding Analysis

This note provides a reconciliation of the main adjustments to Net Expenditure Chargeable to the General Fund and HRA Balances to arrive at the amounts in the Comprehensive Income and Expenditure Statement. The relevant transfers between reserves are explained in the Movement in Reserves Statement.

Adjustments between Funding and Accounting Basis **2020/21**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Statutory Differences (Note c) £'000	Total Statutory Differences £'000	Other (Non-statutory) Adjustments (Note d) £'000	Total Adjustments £'000
Business Support Department	(14,457)	(3,592)	0	(18,049)	(167)	(18,216)
Children's and Adults (Inc. Public Health)	(11,880)	(11,711)	0	(23,591)	(384)	(23,975)
Regeneration, Culture & Environment	(17,230)	(5,104)	0	(22,234)	(41)	(22,375)
Housing Revenue Account	(7,518)	(424)	0	(7,942)	(5)	(7,947)
Net Cost of Services	**(51,084)**	**(20,831)**	**0**	**(71,915)**	**(598)**	**(79,035)**
Other income and expenditure from the Expenditure and Funding Analysis	15,441	(6,677)	(7,313)	1,451	(26,720)	(25,269)
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(35,643)**	**(27,508)**	**(7,313)**	**(70,464)**	**(27,318)**	**(97,781)**

Adjustments between Funding and Accounting Basis **2019/20**

Adjustments from General Fund to arrive at the Comprehensive Income and Expenditure Statement amounts	Adjustments for Capital Purposes (Note a) £'000	Net change for the Pensions Adjustments (Note b) £'000	Other Statutory Differences (Note c) £'000	Total Statutory Differences £'000	Other (Non-statutory) Adjustments (Note d) £'000	Total Adjustments £'000
Business Support Department	(1,737)	(4,769)	0	(6,506)	6	(6,500)
Children's and Adults (Inc. Public Health)	(6,199)	(6,295)	0	(12,494)	229	(12,265)
Regeneration, Culture & Environment	(28,150)	(3,942)	0	(32,092)	(26)	(32,118)
Housing Revenue Account	(4,176)	(331)	0	(4,508)	(0)	(4,508)
Net Cost of Services	**(40,262)**	**(15,338)**	**0**	**(55,600)**	**209**	**(55,392)**
Other income and expenditure from the Expenditure and Funding Analysis	14,794	(6,114)	(677)	8,002	1,244	9,246
Difference between General Fund surplus or deficit and Comprehensive Income and Expenditure Statement Surplus or Deficit on the Provision of Services	**(25,469)**	**(21,452)**	**(677)**	**(47,598)**	**1,453**	**(46,145)**

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Note 6. Note to Expenditure and Funding Analysis (continued)

Adjustments for Capital Purposes

a) Adjustments for capital purposes – this column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

Other operating expenditure – adjusts for capital disposals with a transfer of income on disposal of assets and the amounts written off for those assets.

Financing and investment income and expenditure – the statutory charges for capital financing i.e. Minimum Revenue Provision and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.

Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non Specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

Net Change for the Pensions Adjustments

b) Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related expenditure and income:

- For **services** this represents the removal of the employer pension contributions made by the authority as allowed by statute and the replacement with current service costs and past service costs.
- For **Financing and investment income and expenditure** –- the net interest on the defined benefit liability is charged to the CIES.

Other Statutory Adjustments

c) Other statutory adjustments between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Services** this represents Amount by which officer remuneration charged to the Comprehensive I&E account on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements.
- For **Financing and investment income and expenditure** this recognises adjustments to the General Fund for the timing differences for premiums and discounts and adjustments to service segments e.g. for interest income and expenditure and changes in the fair values of investment properties.

The charge under **Taxation and non-specific grant income and expenditure** represents the difference between what is chargeable under statutory regulations for council tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted accounting practices in the Code. This is a timing difference as any difference will be brought forward in future surpluses or deficits on the Collection Fund. This also contains adjustments to service segments e.g. for unringfenced government grants.

Other Non-statutory Adjustments

d) Other differences between amounts debited/credited to the Comprehensive Income and Expenditure Statement and amounts payable/receivable to be recognised under statute:

- For **Financing and investment income and expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for interest income and expenditure and changes in the fair values of investment properties.
- For **Taxation and Non-Specific Grant Income and Expenditure** the other non-statutory adjustments column recognises adjustments to service segments, e.g. for unringfenced government grants.

Note 7. Segmental Income

Income received on a segmental basis is analysed below:

	2019/20		2020/21	
	Income from Services	Revenues from Transactions with Other Operating Segments of the Council	Income from Services	Revenues from Transactions with Other Operating Segments of the Council
	£'000	£'000	£'000	£'000
Business Support Department	(8,687)	(17,887)	(7,938)	(29,008)
Children's and Adults (inc. Public Health)	(16,534)	(20,470)	(11,880)	(28,095)
Regeneration, Community, Environment and Transformation	(29,581)	(18,589)	(17,445)	(5,699)
Housing Revenue Account	(14,266)	(74)	(13,996)	(75)
Total income analysed on a segmental basis	**(69,068)**	**(57,020)**	**(51,259)**	**(62,877)**

Note 8. Expenditure and income Analysed by Nature

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

		Management Accounts										
	2019/20	Business Support	Children's and Adults (Inc. Public Health)	Regeneration, Culture & Environment	Total General Fund	Housing Revenue Account	Total Management Accounts	Amounts Not Reported to Management	Allocation of Recharges	Net Cost of Services	Corporate Amounts	2020/21
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Expenditure/Income												
Expenditure												
Employee benefits expenses	136,593	17,621	78,781	23,182	119,584	1,409	120,993	21,024	(2,672)	139,344	6,677	146,021
Other services expenses	348,904	101,328	244,022	66,480	411,830	7,911	419,740	(30,387)	(13,848)	375,505	559	376,064
Support service recharges	(23)	7,565	8,349	9,526	25,440	750	26,191	0	(25,547)	644	0	644
Depreciation, amortisation and impairment	42,886	2,289	4,610	17,011	23,911	3,698	27,609	22,618	0	50,226	(101)	50,126
Interest payments	12,191	0	0	0	0	0	0	0	0	0	12,444	12,444
Precepts and levies	1,995	0	0	0	0	0	0	0	0	0	2,073	2,073
Payments to Housing Capital Receipts Pool	264	0	0	0	0	0	0	0	0	0	179	179
Loss on the disposal of assets	9,622	0	0	0	0	0	0	0	0	0	8,174	8,174
Pension Adjustments	316	0	0	0	0	0	0	405	0	405	0	405
Total expenditure	**552,747**	**128,802**	**335,762**	**116,200**	**580,764**	**13,768**	**594,532**	**13,659**	**(42,067)**	**566,124**	**30,005**	**596,129**
Income												
Fees, charges and other service income	(68,430)	(36,946)	(39,975)	(23,145)	(100,065)	(14,071)	(114,137)	27,462	41,129	(45,546)	(823)	(46,369)
Interest and investment income	(4,390)	0	(16)	0	(16)	(62)	(78)	62	0	(16)	(3,518)	(3,534)
Income from council tax and non-domestic rates	(178,018)	0	0	0	0	0	0	0	0	0	(138,184)	(138,184)
Government grants and contributions	(260,285)	(71,069)	(25,038)	(6,031)	(102,137)	0	(102,137)	(131,503)	938	(232,702)	(121,144)	(353,847)
Total income	**(511,514)**	**(108,015)**	**(65,029)**	**(29,175)**	**(202,219)**	**(14,134)**	**(216,352)**	**(103,979)**	**42,067**	**(278,264)**	**(263,670)**	**(541,934)**
Surplus or Deficit on the Provision of Services	**41,624**	**20,788**	**270,733**	**87,024**	**378,545**	**(365)**	**378,180**	**(90,320)**	**0**	**287,860**	**(233,665)**	**54,195**

Medway Council
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Rochester Castle, Rochester

E3. Notes Supporting the Comprehensive Income and Expenditure Statement

Medway Council
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Note 9. Other Operating Expenditure

	2019/20 £'000	2020/21 £'000
Parish Council Precepts	479	509
Levies	1,516	1,564
Payment to the Government Housing Capital Receipts Pool	264	179
Gains/losses on disposal of non-current assets	9,622	8,174
Total	**11,881**	**10,425**

Note 10. Financing & Investment Income and Expenditure

	2019/20 £'000	2020/21 £'000
Interest payable and similar charges	12,117	12,443
Net interest on the net defined benefit liability (asset)	6,114	6,677
Gain/(Loss) on Financial Assets at Fair Value through Profit and Loss	745	444
Interest receivable and similar income	(3,717)	(3,411)
Income and expenditure in relation to investment properties and changes in their fair value	(686)	(915)
Total	**14,573**	**15,238**

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

	2019/20 £000s	2020/21 £000s
Council tax income	(122,778)	(121,844)
Non-domestic rates income and expenditure	(55,240)	(16,340)
Non-ringfenced government grants	(14,692)	(98,762)
Capital grants and contributions	(22,767)	(22,383)
Total	**(215,476)**	**(259,328)**

Note 12. Pooled Budgets

Better Care Fund (BCF)

The Council operated a Better Care Fund of £28.858m with Kent & Medway Clinical Commissioning Group under a s75 arrangement throughout 2020/21. For 2020/21 the s75 arrangement included the Council's allocation in respect of the Improved Better Care Fund and Winter Pressures Grant. The arrangements for each scheme within the Better Care Fund have been reviewed in accordance with both IFRS 11 (Joint Arrangements) and IFRS 15 (Revenue from Contracts with Customers) to determine the appropriate accounting treatment by both the Council and the Kent & Medway CCG. Control of the commissioning arrangements has been key to determining the nature of each scheme within the fund.

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

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

Better Care Fund (BCF)	**2019/20**		**2020/21**	
	£'000	**£'000**	**£'000**	**£'000**
Funding provided by each partner:				
Medway Council (included in the authority's Comprehensive Income & Expenditure Statement)	9,270		9,563	
Kent & Medway CCG (included in the authority's Comprehensive Income & Expenditure Statement)	3,983		4,654	
Kent & Medway CCG (not included in the authority's Comprehensive Income & Expenditure Statement)	14,318		14,640	
		27,571		28,858
Expenditure paid as part of the agreement:				
Medway Council/Kent & Medway CCG (included in the authority's Comprehensive Income & Expenditure Statement)	13,253		14,218	
Kent & Medway CCG (not included in the authority's Comprehensive Income & Expenditure Statement)	14,318		14,640	
		27,571		28,858
Net surplus/(deficit) arising on the pooled budget during the year		**0**		**0**
Authority share of 50% of the net surplus arising on the pooled budget		**0**		**0**

Note 12. Pooled Budgets (continued)

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

The Council entered into an RAA with Kent County and the London Borough of Bexley worth £1.857m during 2020/21. The RAA known as Adoption Partnership South East went live on 1st November 2020 with Kent County Council acting as the lead partner. Medway have only included the income and expenditure associated with their share of the partnership in our statement of accounts and not the other partners' shares.

The RAA aims to promote early permanence planning across the region; improve the timeliness of children's adoption journey; reduce the length of time children wait to be adopted; improve post-adoption support service to families who have adopted children from care and reduce the number of agencies that provide adoption services thereby improving efficiency and effectiveness.

The partnership agreement outlines how any surplus generated will be reimbursed or how deficits will be funded by each of the partners. A partner's percentage share is based on the income each partner contributed to the total overall funding of the partnership. Medway's percentage is therefore 20% of any surplus or deficits generated.

2020/21 was a transitional year for the partnership and some of the planned expenditure was delayed due to Covid and the change in working arrangements such as homeworking. At their meeting in March, the partnership board agreed the surplus generated during the year would be transferred into reserves to be spent in the next financial year rather then returning the surplus to partners.

Regional Adoption Agency (RAA)	2020/21 £'000	£'000	
Funding provided by each partner:			
Medway Council	417,866		
Kent County Council & London Borough of Bexley	1,439,183		*2
		1,857,049	
Expenditure paid as part of the agreement:			
Medway Council	161,677		
Kent County Council & London Borough of Bexley	1,348,594		*2
		1,510,271	
Net surplus/(deficit) arising on the pooled budget during the year		**346,778**	
Opening Reserve Balance		0	
Net surplus/(deficit) transferred into or (out) of the reserve.		346,778	
Closing Reserve Balance		346,778	*1
Authority share of the reserve balance is 20%		**69,356**	*1

*1 Not shown in our reserves statement as it is held by the lead partner in trust.

*2 not shown in our income and expenditure accounts.

Note 13. Members Allowances

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

	2019/20 £000	2020/21 £000
Basic Allowance	564	582
Special Responsibility Allowance	305	316
Expenses	5	1
Total	**874**	**899**

Medway Council is comprised of 55 Members. In 2020/21, 55 Members were entitled to claim allowances (71 in 2019/20 including 16 Councillors who served only for part of the year).

Note 14. Officers' Remuneration

The remuneration paid to the Authority's senior employees during 2020/21 was as follows:

Post	Salary £	Fees and Allowances £	Salaries, Fees and Allowances £	Expenses £	Compensation for Loss of Office £	Total Excluding Pension Contribution £	Pension Contribution £	Total £
Chief Executive (Neil Davies)[1]	145,044	8,030	153,074	0	0	153,074	26,665	179,739
Director of People - Children & Adults[2]	121,986	8,003	129,989	0	0	129,989	7,486	137,475
Director of Regeneration, Culture & Environment and Deputy Chief Executive	121,986	8,003	129,989	0	0	129,989	22,459	152,448
Director of Public Health	115,645	8,003	123,648	0	0	123,648	21,298	144,946
Chief Finance Officer	107,528	5,540	113,068	0	0	113,068	18,110	131,178
Assistant Director - Adult Social Care (left 13/07/2020)	22,495	1,385	23,880	0	0	23,880	3,787	27,667
Assistant Director - Adult Social Care (started 02/11/2020)	31,248	2,293	33,541	0	0	33,541	5,774	39,315
Assistant Director - Children's Services (started 11/05/2020)	97,876	8,978	106,854	0	0	106,854	18,773	125,627
Assistant Director - Education and SEND[3] (started 24/08/2020)	54,611	20,582	75,193	3,000	0	78,193	0	78,193
Chief Legal Officer (Monitoring Officer)	93,882	5,540	99,422	0	0	99,422	17,316	116,738
Assistant Director - Culture and Community (started 11/01/2021)	16,845	1,236	18,081	0	0	18,081	3,113	21,194
Assistant Director - Front Line Services (started 11/02/2021)	85,995	5,707	91,701	0	0	91,701	15,872	107,573
Assistant Director - Physical and Cultural Regeneration (left 13/12/2020)	60,821	4,155	64,976	0	0	64,976	11,232	76,208
Assistant Director - Physical and Cultural Regeneration (started 11/02/2021)	12,317	808	13,125	0	0	13,125	2,274	15,399

[1] During 2020/21 the hours of the Chief Executive post were reduced from five to four days a week.

[2] The final Pension Contribution was made in July 2020.

[3] Postholder not in pension scheme.

Note 14. Officers Remuneration (continued)

Comparative figures for 2019/20 are as follows:

Post	Salary £	Fees and Allowances £	Salaries, Fees and Allowances £	Expenses £	Compensation for Loss of Office £	Total Excluding Pension Contribution £	Pension Contribution £	Total £
Chief Executive (Neil Davies)	161,160	8,781	169,941	0	0	169,941	29,625	199,566
Director of People - Children & Adults	119,594	7,876	127,470	77	0	127,547	22,019	149,566
Director of Regeneration, Culture & Environment and Deputy Chief Executive	119,594	7,876	127,470	0	0	127,470	22,019	149,489
Director of Public Health	113,377	7,876	121,253	49	0	121,302	20,881	142,183
Assistant Director - Transformation (left 18/02/2020) [1]	73,940	4,825	78,766	0	0	78,766	12,637	91,403
Chief Finance Officer	99,828	5,452	105,280	158	0	105,438	16,699	122,137
Deputy Director - Children & Adult Services [1]	38,533	3,170	41,702	211	0	41,913	7,290	49,203
Assistant Director - Adult Social Care	77,397	5,452	82,849	0	0	82,849	13,733	96,582
Chief Legal Officer (Monitoring Officer)	92,041	5,452	97,493	0	0	97,493	16,977	114,470
Assistant Director - Physical and Cultural Regeneration	74,552	5,452	80,004	83	0	80,087	13,776	93,863
Assistant Director - Front Line Services	75,195	7,452	82,647	0	0	82,647	14,809	97,456

[1] During 2019/20 the Assistant Director – Transformation and the Deputy Director - Children's and Adults posts were deleted.

Business Change, Digital, RCE Business Intelligence, Customer and Business Support (CABS), ICT and HR transferred to the Business Support Department. Communications & Marketing remained in Regeneration, Culture & Environment.

Note 14. Officers Remuneration (continued)

Officers Remuneration > £50,000

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

	Number of Employees			
	Schools		Non-Schools	
Remuneration Band	**2019/20**	**2020/21**	**2019/20**	**2020/21**
£50,000 to £54,999	10	15	39	47
£55,000 to £59,999	13	8	25	22
£60,000 to £64,999	7	7	13	15
£65,000 to £69,999	4	5	15	14
£70,000 to £74,999	7	4	5	11
£75,000 to £79,999	3	2	2	2
£80,000 to £84,999	1	3	1	2
£85,000 to £89,999	1	0	0	0
£90,000 to £95,999	0	0	0	0
£95,000 to £99,999	0	0	0	0
£100,000 to £104,999	0	0	0	0
£105,000 to £109,999	0	0	0	0
£110,000 to £114,999	0	0	0	0
£115,000 to £119,999	0	0	0	0
£120,000 to £124,999	0	0	0	0
£125,000 to £129,999	0	1	0	0
£130,000 to £149,999	1	0	0	0
£150,000 to £154,999	0	0	0	0
Total	**47**	**45**	**100**	**113**

Note 14. Officers Remuneration (continued)

Accounting Policy

Termination benefits are amounts payable as a result of a decision by the Authority to terminate an officer's employment before the normal retirement date, or an officer's decision to accept redundancy in exchange for those benefits, and are charged on an accruals basis to the appropriate service in the Comprehensive Income and Expenditure Statement at either when the Authority can no longer withdraw the offer of those benefits or when the Authority recognises costs for a restructuring, whichever is earlier.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund Balance to be charged with the amount payable by the Authority to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Note 14. Officers Remuneration (continued)

Numbers of Exit Packages

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

Exit package cost band (including special payments)	Number of compulsory redundancies 2020/21			Number of other departures agreed 2020/21			Total number of exit packages by cost band 2020/21			Total cost of exit packages in each band £ 2020/21		
	Schools £	Non-School £	Total £	Schools £	Non-School £	Total £	Schools £	Non-School £	Total £	Schools £	Non-School £	Total £
£0 - £20,000	1	11	12	2	7	9	3	18	21	8,459	164,072	172,531
£20,001 - £40,000	1	1	2	0	0	0	1	1	2	30,278	32,376	62,655
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0
Total	**2**	**12**	**14**	**2**	**7**	**9**	**4**	**19**	**23**	**38,737**	**196,448**	**235,186**

The total cost of £0.235m detailed in the table above for exit packages agreed during 2020/21. An amount of £0.243m has been charged to the Authority's Comprehensive Income and Expenditure Statement in that financial year.

Exit package cost band (including special payments)	Number of compulsory redundancies 2019/20			Number of other departures agreed 2019/20			Total number of exit packages by cost band 2019/20			Total cost of exit packages in each band £ 2019/20		
	Schools	Non-School	Total	Schools	Non-School	Total	Schools	Non-School	Total	Schools £	Non-School £	Total £
£0 - £20,000	5	14	19	1	12	13	6	26	32	10,488	211,692	222,180
£20,001 - £40,000	0	8	8	0	3	3	0	11	11	0	370,994	370,994
£40,001 - £60,000	0	0	0	0	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0	0	0	0	0
£150,001 - £200,000	0	0	0	0	0	0	0	0	0	0	0	0
Total	**5**	**22**	**27**	**1**	**15**	**16**	**6**	**37**	**43**	**10,488**	**582,686**	**593,174**

The total cost of £0.593m detailed in the table above for exit packages agreed during 2019/20. An amount of £0.574m has been charged to the Authority's Comprehensive Income and Expenditure Statement in that financial year.

Note 15. External Audit Costs

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

	2019/20 £'000	2020/21 £'000
Scale fees payable to GT with regard to external audit services carried out by the appointed auditor for the year	110	110
Fees payable to GT with regard to additional external audit services carried out by the appointed auditor for the year	0	74
Fees payable to GT for the certification of Grant Claims and other services provided by GT	28	30
Total	**138**	**213**

The 2019/20 audit plan presented to the Councils Audit Committee in March 2020 detailed the need for an additional fee of £21k due to additional requirements placed upon audit firms by the Financial Reporting Council and additional International Financial Reporting Standards. Grant Thornton indicated that following the completion of the 2019/20 audit, the requested additional fees increased to £76.153k. A final additional fee of £73.654k was approved by the Public Sector Audit Appointments Limited (PSAA) on 01 March 2022.

For 2020/21 the interim audit findings report presented to Audit Committee in January 2023 detailed proposed additional fees (in addition to the core fee) of £80.4k. However, to date, these additional fees have yet to be finalised by Grant Thornton and agreed by both the PSAA and the Council.

Note 16. Dedicated Schools Grant

Accounting Policy — Schools

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

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

The Council has the following types of maintained schools:

- Community
- Voluntary Aided
- Voluntary Controlled
- Foundation

Recognition of Schools' Non-current Assets

Maintained schools' non-current assets should be recognised in the local authority financial statements in accordance with the requirements of chapter four of the Code (Non-current Assets). The area likely to be of most concern is the land and buildings from which schools operate.

If a school obtains academy status, then all responsibilities transfer to the Academy. The only exception to this will be where the school was previously a maintained school where the Authority had a form of control over the future ability to provide a school, whereby the responsibility for the non-current assets will be transferred to the Academy by way of a long-term lease, and therefore, the present value of that lease relating to the freehold will be all that remains within the Authority's Balance Sheet.

The Council's expenditure on schools is funded primarily by grant monies provided by the Education and Skills Funding Agency, the Dedicated Schools Grant (DSG). DSG is ringfenced and can only be applied to meet expenditure properly included in the Schools Budget, as defined in the School Finance and Early Years (England) Regulations 2019. The Schools Budget includes elements for a range of educational services provided on an authority-wide basis and for the Individual Schools Budget, which is divided into a budget share for each maintained school.

During 2020/21 the Council incurred an overspend of £5.039m on DSG funded services (£5.207m in 2019/20). After taking account of the deficit of £9.346m brought forward from 2019/20 (£4.139m brought forward from 2018/19), £16.261m was carried forward to 2021/22.Over the past few years the LA has experienced a significant growth in the number of new education health care plans issued and when combined with the extended support up to the age of 25, has created a demand on the high needs block of the DSG which outstrips the funding available. These pressures first arose in 2018/19, when the LA overspent its high needs budget by £4.139m; with the then schools finance and early years regulations at the time allowed prior year overspends to have the first call on the following years allocation to repay the overspend. In 2019/20 the LA once again overspent spent its high needs budget by £5.207m excluding the repayments of any prior year overspend, and combined with the balances on the other two block of the DSG, the total overspend on the DSG reserve as at 31 March 2020 was £9.346m.

During 2019/20 the DfE changed its reporting regulations required all LA's with DSG deficits greater then 1% to submit a DSG recovery plan by June 2020. This plan has been discussed with its Schools Forum, Schools and the ESFA and shows the LA aims to recover this overspend over the medium term across 4 main themes.

- Commissioning of resourced places and units in mainstream schools.
- Changes to the high needs banding for top up funding rates.
- Value for money in the independent sector
- Criteria and expectations for Non-Education, Health & Care Plan (EHCP) and EHCP funding

Note 16. Dedicated Schools Grant (continued)

Details of the deployment of DSG receivable for 2020/21 are as follows:

	Central Expenditure £'000	Individual Schools Budget £'000	Total 2020/21 £'000	Total 2019/20 £'000
Final DSG for 2020/21 before Academy recoupment			250,614	235,717
Less: Academy figure recouped for 2020/21			(161,419)	(152,522)
Total DSG after Academy recoupment for 2020/21			89,195	83,195
Plus: Brought forward from 2019/20			(9,346)	(4,139)
Less: Carry forward to 2021/22 agreed in advance			0	0
Final budget distribution in 2020/21	3,579	76,270	79,849	79,055
Less: Actual central expenditure	(3,970)		(3,970)	(3,893)
Less: Actual Individual Schools Budget deployed to schools		(92,140)	(92,140)	(84,508)
Carried forward to 2021/22	**(391)**	**(15,870)**	**(16,261)**	**(9,346)**
Add: Carry forward to 2021/22 agreed in advance			0	0
Total carried forward to 2021/22			**(16,261)**	**(9,346)**

Note 17. Grant Income

Accounting Policy - Government Grants and Contributions

Whether paid on account, by instalments or in arrears, government grants and third party contributions and donations are recognised as due to the Authority when there is reasonable assurance that:

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

Amounts recognised as due to the Authority are not credited to the Comprehensive Income and Expenditure Statement until conditions attached to the grant or contribution has been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset in the form of the grant or contribution are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

Monies advanced as grants and contributions for which conditions have not been satisfied are carried in the Balance Sheet as creditors. When conditions are satisfied, the grant or contribution is credited to the relevant Directorate line (attributable revenue grants and contributions) or Taxation and Non-Specific Grant Income (non-ringfenced revenue grants and all capital grants) in the Comprehensive Income and Expenditure Statement.

Where capital grants are credited to the Comprehensive Income and Expenditure Statement, they are reversed out of the General Fund Balance in the Movement in Reserves Statement. Where the grant has yet to be used to finance capital expenditure, it is posted to the Capital Grants Unapplied reserve. Where it has been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

Note 17. Grant Income (continued)

The Authority credited the following grants, contributions and donations to the Comprehensive Income and Expenditure Statement in 2020/21.

	2019/20 £'000	2020/21 £'000
Credited to Taxation and Non Specific Grant Income		
Ministry of Housing, Communities & Local Government		
- MHCLG Other	(280)	(150)
- Formula Grant / Revenue Support Grant	(6,053)	(6,151)
- New Homes Bonus	(1,978)	(1,221)
- Small Business Rate Relief Grant	0	(11,271)
- Covid-19 Additional Small Business Rate Relief Grant	0	(26,884)
- Covid-19 Council Tax hardship Fund Grant	0	(2,056)
- Covid-19 Emergency Funding	(6,628)	(16,441)
- Covid-19 Next Steps Accommodation Fund	0	(234)
- Covid-19 Compliance and Enforcement Grant	0	(153)
- Covid-19 Supporting Clinically Extremely Vulnerable People	0	(809)
- Covid-19 Test and Trace Isolation Payment scheme (discretionary fund)	0	(409)
- Covid-19 Local Additional Restrictions Grant (discretionary grant to support businesses)	0	(8,046)
- Covid-19 Test and Trace Isolation Payment Scheme (new burdens funding)	0	(197)
- Covid-19 Local Restrictions Support Grant New Burdens Funding	0	(305)
- Covid-19 Sales Fees & Charges Income Compensation Scheme	0	(7,033)
- Covid-19 Business Support Grants Scheme	0	(1,858)
Department for Education		
- Wellbeing for Education Return Grant	0	(37)
- Additional Dedicated Home to School and College Transport	0	(527)
- Holiday Activities & Food Programme	0	(112)
Department for Environment, Food and Rural Affairs		
- Emergency Assistance Grant for Food & Supplies	0	(337)
Department for Work & Pensions		
- Covid-19 Winter Grant Scheme	0	(780)
Department of Health & Social Care		
- Covid-19 Rapid Testing Funding	0	(383)
- Covid-19 Workforce Capacity Grant	0	(365)
- Covid-19 Infection Control Fund	0	(4,092)
- Covid-19 Contain Outbreak Management Fund	0	(7,004)
- Covid-19 Practical Support Funding	0	(65)
- Covid-19 Test, track and trace fund	0	(1,593)
Department of Transport		
- COVID 19 - Active Travel Fund Phase 1 & 2	0	(215)
Kent & Essex Inshore Fisheries Conservation Authority		
- Inshore Fisheries Conservation Authorities Grant	(32)	(32)
Recognition of Capital Grants and Contributions	(22,767)	(22,383)
Total	**(37,739)**	**(121,144)**

Note 17. Grant Income (continued)

Credited to Services		
Cabinet Office		
- Individual Register of Electors Grant	(1,180)	(18)
- Elections Grant	0	(91)
- C/Tax Data ONS New Burden Fund	0	(1)
Department for Digital, Culture, Media & Sport		
- DCMS Other	(207)	
- Cultural Strategy	(18)	(2)
- Guardians of the Deep	(22)	(2)
- Theatre 31	0	(179)
- Soldiers on our Streets	0	(4)
- NPO Guildhall Museum	0	(39)
- Picture Medway	0	(2)
Department for Education		
- Dedicated Schools Grant[1]	(83,195)	(93,349)
- Pupil Premium Grant	(3,236)	(3,265)
- Education Funding Agency	(198)	(154)
- Sixth Form Grant	(611)	(560)
- Student Loan Company	(21)	(23)
- DFE Other	(2,053)	(1,781)
- Sec 31 Extension of Previously Looked after Children Implementation Grant	(30)	(30)
- Teachers Pensions Supplementary Grant	0	(94)
- Covid 19 SEN Independent Providers	0	(26)
- Teachers Pay, Teachers Pension, PE&SG	(5)	(664)
- Teachers' Pension Employer Contribution Grant (TPECG)	(26)	(20)
- Extended Rights to Free HTS Transport	(105)	(82)
- Adoption Support Fund	(133)	(173)
- Social Work Teaching Partnerships Programme.	(949)	(233)
- Stay Put and PA Support	0	(209)
- Home to School Transport	0	(1)

[1]The Dedicated Schools Grant income for 2020/21 includes an accrual of £4.154m relating to early years adjustments as a result of both the effects of Covid-19 and the lagged funding system, neither of which are shown in the Dedicated Schools Grant note for that reporting period. The reason for the accrual relates to the associated expenditure being incurred in 2020/21, whereas the grant will not be received until 2021/22.

Note 17. Grant Income (continued)

<u>Department of Health & Social Care</u>		
- Public Health Grant	(16,762)	(17,408)
- Local Reform & Community Voices Grant/ War Pensions Scheme Disregard Grant/Social Care in Prisons Grant	(259)	(254)
- Covid 19 Lateral Flow Test Grant	0	(1,433)
<u>Ministry of Housing, Communities & Local Government</u>		
- Tax Collection & Benefit Administration	(267)	(265)
- Housing Benefit Administration	(773)	(763)
- Benefit Subsidy	(74,176)	(68,211)
- MHCLG Other	(193)	(12)
- Troubled Families Programme	(1,273)	(1,177)
- Transparency Code Set Up	(13)	(13)
- Rough Sleeper Initiative	(844)	(902)
- Flexible Homelessness Support	(895)	(895)
- Homelessness Reduction Act New Burdens Funding	(222)	(342)
- Trading Standards Grant	0	(1)
- Domestic Abuse Grant	0	(10)
- Covid-19 Re Opening The High Streets Safely	0	(160)
- Oast Pocket Park Project	(8)	(7)
- Administering Council Tax Reduction Scheme Grant	(287)	(477)
- Neighbourhood Planning Grant	0	(67)
- Future High Streets Fund (Pre Contract Support)	0	(2)
- Future High Street Fund (Development Phase)	(94)	(56)
- Former Independent Living Fund Grant	(685)	(720)
- Winter Pressures Grant	(998)	(998)
- Social Care Support Grant	(1,705)	(5,492)
- Improved Better Care Fund	(6,095)	(6,095)
Department for Environment, Food and Rural Affairs		
- Urban Tree Challenge Fund	0	(10)
Department for Transport		
- DoT Other	0	(9)
- Bikeability Grant	(43)	(15)
- Covid-19 Operation Stack	0	(7)
- Bus Recovery Grant	0	(28)
- Bus Shelters Grant	0	(26)
- Bus Service Operator Grant	(172)	(496)

Note 17. Grant Income (continued)

Department for Work & Pensions		
- Be Yourself Project	(108)	(41)
- Reducing Parental Conflict	(36)	(9)
- LA Funding Allocations/New Burdens Grant	(297)	(300)
Home Office		
- IAG Grant	0	(300)
- Unaccompanied Asylum-Seeking Children Grant	(369)	(417)
Ministry of Justice		
- Contributions from the Youth Justice Board	(699)	(443)
- MoJ Other	(116)	(116)
Department for Business, Energy & Industrial Strategy		
- Skills Funding Agency	(1,854)	(1,919)
Other Miscellaneous Grants	(556)	(539)
Contributions from NHS Partners	(7,925)	(27,534)
Contributions from Other Local Authorities	(4,297)	(12,894)
Miscellaneous Contributions	(2,440)	(2,960)
Recognition of Capital Grants and Contributions	(6,099)	(2,779)
Total	**(222,546)**	**(233,640)**

Note 17. Grant Income (continued)

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

Capital Grants Receipts in Advance (Capital Grants)	31 March 2020 £'000	31 March 2021 £'000
Applicable Section Agreements	(2,207)	(3,997)
Total	**(2,207)**	**(3,997)**

The following revenue grants were received in the indicated financial year, but relate to the subsequent reporting period, and therefore have been treated as grants received in advance within current liabilities in the balance sheet:

Grants Receipts in Advance - Revenue	31 March 2020 £'000	31 March 2021 £'000
Ministry of Housing, Communities & Local Government		
- Section 31 Grant	(5,712)	0
- Neighbourhood Plans Grant	(15)	0
- Capacity Building Grant	0	(40)
- Prevention Activity Funding	0	(100)
- Cladding Survey New Burden Fund	0	(11)
- Future High Street Fund Development	0	(2)
Department for Work and Pensions		
- Reduced Parental Conflict Grant	(20)	0
Department for Education		
- TP Funding for SW Student Laptops	(9)	0
Home Office		
- Home Office Grant	0	(14)
- PCC Grant	0	(8)
Department for Culture, Media & Sport		
- ESC Lottery Funding	0	(1)
- Arts Council for England Picture Medway Grant	(6)	(4)
Department for Business, Energy & Industrial Strategy		
- Climate Change HNDU Grant	0	(25)
Department for Transport		
- Funding for Supported Bus Services	0	(109)
- Covid 19 BSSG	0	(26)
Department of Health & Social care		
- Health Education England PHWD Funding	0	(12)
Contributions from NHS Partners		
- NHS Medway CCG Self Harm Project	0	(153)
Chatham Dockyard Grant	0	(45)
Royal Opera House Grant	0	(1)
Royal Opera House Bridge Funding	0	(2)
Total	**(5,762)**	**(553)**

Note 17. Grant Income (continued)

The Authority received a number of grants that Medway Council were acting as an Agent, therefore were not recognised through the Comprehensive Income & Expenditure Statement but would be shown within the Balance Sheet as liabilities until such time as they are discharged. All the above grants were discharged within 2020/21.

Grants - Medway Council as Agent	31 March 2020 £'000	31 March 2021 £'000
Department of Business, Energy and Industrial Strategy		
- Covid 19 Christmas Support Payment for Wet Led Pubs	0	(69)
- Covid 19 Local Restrictions Grant Mandatory: Business Grants for Closed Businesses (LRSG)	0	(9,647)
- Covid 19 Local Restrictions Grant Mandatory: Closed Business Lockdown Payment	0	(5,954)
Ministry of Housing, Communities & Local Government		
- Covid 19 Test and Trace Isolation Payment scheme (Mandatory Isolation Support Payments)	0	(447)
Total	**0**	**(16,117)**

Note 18. Interests in Companies and Other Entities

Accounting Policy

Interests in Companies and Other Entities

The Authority has material interests in companies and other entities that have the nature of subsidiaries that require it to prepare group accounts, but its interests in its associates and joint ventures are not considered to be controlling. Therefore, in the Authority's own single-entity accounts, the interests in associates and joint ventures are recorded as financial assets at cost, less any provision for losses.

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 on the grounds of materiality whether group accounts should be prepared

Having considered the accounting requirements and the Authority's involvement with all companies and organisations, Group Accounts have been prepared.

Medway Norse Limited

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

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

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

Medway Norse Transport

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

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

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

Kyndi Ltd

Kyndi Limited (formerly Medway Commercial Group) is a company wholly owned by Medway Council. Group accounts have been prepared for the first time in 2020/21 and are shown elsewhere within these statements.

Kyndi Ltd is responsible for the delivery of CCTV, Telecare, out-of-hours, lone worker solutions, other personal alarm services and via Ocelot People Services, trading via MCG, a new staffing agency.

Medway Development Company (MDC)

Medway Development Company Limited is a company wholly owned by Medway Council. Group accounts have been prepared for the first time in 2020/21 and are shown elsewhere within these statements.

MDC has been set up to maximise the opportunities to invest in or develop property within and outside Medway and in the first instance to enable the development of a number of Council-owned sites. This will enable the generation of new and alternative revenue income streams for the Council and to deliver housing units principally in Medway.

View of the River Medway from Jackson's Field, Chatham

E4. Notes Supporting the Movement in Reserves Statement

Medway Council
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Note 19. Adjustments between accounting basis and funding basis under regulations

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

General Fund Balance

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

Housing Revenue Account Balance

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

Major Repairs Reserve

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

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

Adjustments for 2020/21	Usable Reserves General Fund Balance £000s	Housing Revenue Account Balance £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Unusable Reserves £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)	27,084	424	0	0	0	(27,508)
Financial instruments (transferred to the Financial Instruments Adjustments Account/Financial Instruments Revaluation Reserve)	397	0	0	0	0	(397)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	27,063	0	0	0	0	(27,063)
Holiday pay (transferred to the Accumulated Absences Account)	592	5	0	0	0	(598)
Amount by which Schools Deficit has moved in year (transferred to Dedicated Schools Grant Adjustment Account)	6,916	0	0	0	0	(6,916)
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):	35,223	13,986	0	0	13,823	(63,032)
Total Adjustments to Revenue Resources	**97,275**	**14,416**	**0**	**0**	**13,823**	**(125,514)**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(5,332)	(371)	5,703	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	179	0	(179)	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	(481)	0	0	0	0	481
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(3,698)	0	3,698	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,307)	0	0	0	0	1,307
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(500)	(2,400)	0	0	0	2,900
Total Adjustments between Revenue and Capital Resources	**(7,441)**	**(6,469)**	**5,524**	**3,698**	**0**	**4,687**
ADJUSTMENTS TO CAPITAL RESOURCES						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,314)	0	0	4,314
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(3,698)	0	3,698
Application of capital grants to finance capital expenditure	0	0	0	0	(6,670)	6,670
Cash payments in relation to deferred capital receipts	0	0	0	0	0	0
Total Adjustments to Capital Resources	**0**	**0**	**(4,314)**	**(3,698)**	**(6,670)**	**14,682**
Total Adjustments 2020/21	**89,834**	**7,947**	**1,210**	**0**	**7,152**	**(106,144)**

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

2019/20 Comparative Figures	Usable Reserves General Fund Balance £000s	Housing Revenue Account £000s	Capital Receipts Reserve £000s	Major Repairs Reserve £000s	Capital Grants Unapplied £000s	Unusable Reserves £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)	21,121	331	0	0	0	(21,452)
Financial instruments (transferred to the Financial Instruments Adjustments Account)	677	0	0	0	0	(677)
Council tax and NDR (transfers to or from Collection Fund Adjustment Account)	(1,392)	0	0	0	0	1,392
Holiday pay (transferred to the Accumulated Absences Account)	(209)	0	0	0	0	209
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):	24,055	11,178	0	0	14,133	(49,366)
Total Adjustments To Revenue Resources	**44,252**	**11,510**	**0**	**0**	**14,133**	**(69,895)**
ADJUSTMENTS BETWEEN REVENUE AND CAPITAL RESOURCES:						
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(220)	(1,785)	2,005	0	0	0
Payments to the government housing receipts pool (funded by a transfer from the Capital Receipts Reserve)	264	0	(264)	0	0	0
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement (Transfer to the Deferred Capital Receipts Reserve)	0	0	0	0	0	0
Posting of HRA resources from revenue to the Major Repairs Reserve	0	(3,724)	0	3,724	0	0
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,361)	0	0	0	0	1,361
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,297)	(1,493)	0	0	0	2,790
Total Adjustments between Revenue and Capital Resources	**(2,614)**	**(7,002)**	**1,741**	**3,724**	**0**	**4,151**
ADJUSTMENTS TO CAPITAL RESEOURCES						
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(285)	0	0	285
Use of the Major Repairs Reserve to finance capital expenditure	0	0	0	(3,824)	0	3,824
Application of capital grants to finance capital expenditure	0	0	0	0	(6,357)	6,357
Cash payments in relation to deferred capital receipts	0	0	2,897	0	0	(2,897)
Total Adjustments To Capital Resources	**0**	**0**	**2,612**	**(3,824)**	**(6,357)**	**7,568**
Total Adjustments 2019/20	**41,638**	**4,508**	**4,354**	**(100)**	**7,776**	**(58,175)**

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Note 20. Movements in Earmarked Reserves

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

General Fund	Balance 31 March 2019 £'000	Transfers in 2019/20 £'000	Transfers out 2019/20 £'000	Balance 31 March 2020 £'000	Transfers in 2020/21 £'000	Transfers out 2020/21 £'000	Balance 31 March 2021 £'000
Balances held by schools under a scheme of delegation	(2,004)	(760)	1,408	**(1,356)**	(1,833)	1,775	**(1,414)**
School Rev Contributions To Capital	(406)	(166)	507	**(65)**	(445)	387	**(123)**
Revenue Contributions To Capital BSD	0	(800)	707	**(93)**	0	93	**0**
Revenue Contributions To Capital C&A	0	0	17	**17**	0	0	**17**
Revenue Contributions To Capital RCET	(8)	(34)	0	**(42)**	(61)	2	**(101)**
Development Plan Reserve	(113)	(82)	195	**0**	(230)	80	**(150)**
Provision For Local Election	(284)	(138)	414	**(7)**	(138)	22	**(123)**
Bereavement Services Reserves	(25)	(1)	0	**(26)**	(150)	1	**(175)**
Rate Equalisation Fund	0	0	0	**0**	(4,663)	0	**(4,663)**
Community Hubs Reserve	(40)	0	11	**(29)**	0	(12)	**(41)**
BRMF - Annual Programme	0	(250)	38	**(212)**	(750)	325	**(637)**
Reserve Fund Computer Development	0	0	0	**0**	(1,000)	0	**(1,000)**
Developer Contributions Revenue Reserves	(4,226)	(2,134)	1,859	**(4,501)**	(1,596)	851	**(5,246)**
Economic Development Loans Fund	(134)	0	54	**(80)**	0	0	**(80)**
Directorate Carry Forwards	(3,301)	(1,629)	1,156	**(3,774)**	(2,195)	1,352	**(4,617)**
Homelessness Reduction	(169)	0	0	**(169)**	0	0	**(168)**
BirdWatch/Samms Inv Funds	(300)	(300)	0	**(600)**	(430)	0	**(1,030)**
Carry Forward Covid-19	0	0	0	**0**	(9,439)	0	**(9,439)**
Severance Payments Reserve	(455)	(351)	806	**0**	(1,000)	0	**(1,000)**
South Medway Development Res	(4,001)	0	0	**(4,001)**	0	0	**(4,000)**
Transformation Reserve	(0)	0	0	**(0)**	(2,000)	0	**(2,000)**
Salix Repayments	(49)	(61)	96	**(14)**	(64)	2	**(76)**
HEE Public Health Grant	(176)	0	0	**(176)**	0	0	**(176)**
Other Earmarked Reserves	(220)	(59)	107	**(173)**	(60)	39	**(194)**
Covid-19 Reserve Funding	0	(6,628)	1,356	**(5,272)**	0	5,272	**0**
Collection Fund S.31 Grant Adjustment Reserve	0	0	0	**0**	(18,502)	0	**(18,502)**
Insurance Reserve	(1,216)	0	256	**(960)**	0	(1,499)	**(2,459)**
Total Earmarked General Fund Reserves	**(17,128)**	**(13,393)**	**8,987**	**(21,534)**	**(44,556)**	**8,690**	**(57,398)**
Dedicated Schools Grant Reserve[1]	4,139	(5,600)	10,807	**9346**	(22,259)	22,259	**0**
DSG Reserve	**4,139**	**(5,600)**	**10,807**	**9346**	**(22,259)**	**22,259**	**0**
Housing Revenue Account							
HRA Earmarked Reserves	(1,194)	(1,273)	866	**(1,601)**	(990)	2,285	**(306)**
Total Earmarked Housing Revenue Account Reserves	**(1,194)**	**(1,273)**	**866**	**(1,601)**	**(990)**	**2,285**	**(306)**
Total Earmarked Reserves	**(14,183)**	**(20,266)**	**20,660**	**(13,789)**	**(67,805)**	**33,234**	**(57,704)**

The deficit on the Dedicated Schools Grant Reserve at the 31 March 2020 was transferred to the Dedicated Schools Grant Adjustment Account, an unusable reserve. This movement was agreed as part of the statutory adjustments afforded to local authorities with deficit balances. This deficit balance will be reduced in the coming years and Medway Council has agreed a deficit recovery programme with central government to achieve this.

Medway COUNCIL Serving You

Note 20. Movements in Earmarked Reserves (continued)

Balances held by schools under a scheme of delegation

School Revenue Reserves. School funding is ringfenced to the individual school and can't be used to fund any other Medway Council department budget or school.

School Revenue Contributions To Capital

School in year revenue contributions to capital reserves. Any funding not used to fund the capital programme will be transferred into the main school capital reserve.

Revenue Contributions To Capital C&A

General fund revenue contributions towards capital used to fund the Children and Adults capital programme.

Revenue Contributions To Capital RCET

General fund revenue contributions towards capital used to fund the regeneration, culture, environment and transformation capital programme.

Development Plan Reserve

Annual contributions from the General Fund to cover the costs in respect of the Local Plan.

Provision For Local Election

Provision for cyclical cost of Local Elections. Local Elections are held once every 4 years so a contribution is made to a provision each year to fund the expenditure in year 4.

Bereavement Services Reserves

Reserve Fund for essential Crematorium Repairs/Improvements and gifts to the Crematorium.

BRMF (Building Repairs and Maintenance Fund) - Annual Programme

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

Community Hubs Reserve

To finance development of community hubs in our libraries.

Reserve Fund Computer Development

Reserve Fund for Computer Development/Replacement of Steria and then Medway Grid for Learning (MGfL)

DSG Reserve

Dedicated School Grant reserves. Significant increase in Special Educational Needs (SEN) expenditure in 2018/19 and 2019/20 was transferred here. The deficit on this reserve will be addressed over the medium term through a recovery plan to be agreed by the School's forum.

Economic Development Loans Fund

A Fund to give Start up Grants to individuals living in Medway for Companies to be located in Medway.

Directorate Carry Forwards

Revenue carry forwards relating to the general fund.

Homelessness Reduction

Homelessness Reduction new burdens funding issued by the CLG for the first 3 years of the implementation of New Homelessness Reduction Act 2017 which requires authorities to have additional resources to deal with the increased duties to improve advice and information for the prevention of homelessness under this new legislation.

Collection Fund Holding Account

Reserve holding differences between budgeted collection fund income and actual income.

Invest To Save

Represents a sum set aside to generate long term financial benefits from pump-priming financial resources.

Severance Payments Reserve

Provided to support staffing cost implications of service transformation programmes.

South Medway Development Reserve

Regeneration and development reserve created to fund Rochester Airport Regeneration and similar regeneration and development schemes.

Transformation Reserve

Provided to finance the transformation of the Council's services as required to achieve leading edge service and financial provision.

Salix Repayments

Salix provided £150k, matched by Medway, to create a fund for energy saving projects. The fund pays for a scheme and then the loan is repaid over a number of years by the service benefitting from the saving.

Note 20. Movements in Earmarked Reserves (continued)

HEE Public Health Grant

Grant received from Health Education England and is used to fund activity on 4E840 which is a joint venture with Kent, Surrey and Sussex.

Other Earmarked Reserves

Represent non-material balances.

Covid-19 Reserve

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

Insurance Reserve

To finance costs (e.g. claims and premium payments) associated with insurable risk. The reserve meets expenditure relating to various types of future claims which are not covered by the Insurance Fund.

HRA Earmarked Reserves

Monies held in an Earmarked Reserve for the HRA.

E5. Notes Supporting the Balance Sheet

Medway Council
Serving You

Note 21. Property, Plant & Equipment

Accounting Policy

Other Property, Plant and Equipment

Assets that have physical substance and are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes and that are expected to be used during more than one financial year are classified as Property, Plant and Equipment.

Recognition

Expenditure, generally above the de-minimis level of £25,000 on the acquisition, creation or enhancement of Property, Plant and Equipment is capitalised on an accruals basis, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Authority and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

Measurement

Assets are initially measured at cost, comprising:

- the purchase price
- any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.
- the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

The Authority does not capitalise borrowing costs incurred whilst assets are under construction.

The cost of assets acquired other than by purchase is deemed to be its fair value, unless the acquisition does not have commercial substance (i.e. it will not lead to a variation in the cash flows of the Authority). In the latter case, where an asset is acquired via an exchange, the cost of the acquisition is the carrying amount of the asset given up by the Authority.

Assets are carried in the Balance Sheet using the following measurement bases:

- community assets and assets under construction – depreciated historical cost
- council dwellings – current value, determined using the basis of existing use value for social housing (EUV-SH)
- school buildings – current value, but because of their specialist nature, are measured at depreciated replacement cost which is used as an estimate of current value
- surplus assets – the current value measurement base is fair value, estimated at highest and best use from a market participant's perspective
- all other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

Where there is no market-based evidence of fair value because of the specialist nature of an asset, depreciated replacement cost (DRC) is used as an estimate of current value.

Where non-property assets that have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for current value.

Assets included in the Balance Sheet at current value are revalued sufficiently regularly to ensure that their carrying amount is not materially different from their current value at the year-end, but as a minimum every five years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. Exceptionally, gains might be credited to the Surplus or Deficit on the Provision of Services where they arise from the reversal of a loss previously charged to a Directorate.

Where decreases in value are identified, they are accounted for by:

- where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Directorate line(s) in the Comprehensive Income and Expenditure Statement.

The Revaluation Reserve contains revaluation gains recognised since 1 April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

Note 21. Property, Plant & Equipment (continued)

Componentisation

Componentisation was introduced under the IFRS-based Code of Practice to allow significant parts of an asset with different values and useful lives to be accounted for separately (recognition, depreciation and derecognition), therefore providing the most accurate way of accounting for the overall asset.

All assets (including Council Dwellings and Non-Dwellings relating to the Housing Revenue Account), other than investment properties, have a land and building depreciable split where appropriate. After assessing the materiality of the various items of Property, Plant and Equipment, it was decided that assets with a Gross Book Value in excess of £2.5m and the following asset types would be further componentised upon the date of their next scheduled revaluation:

- Schools – rolling programme starting from 2011/12
- Leisure centres with swimming pools – rolling programme starting from 2012/13
- Medway Park – componentised from 2010/11
- Crematorium – componentised from 2011/12
- Other assets with a GBV in excess of £2.5m – componentised from 2016/17

Housing Revenue Account Buildings are further componentised to include major components with different lives to the main structure e.g. kitchens, bathrooms, heating systems etc. to allow the most accurate depreciation charges.

Impairment

Assets are assessed at each year-end as to whether there is any indication that an asset may be impaired. Where indications exist and any possible differences are estimated to be material, the recoverable amount of the asset is estimated and, where this is less than the carrying amount of the asset, an impairment loss is recognised for the shortfall.

Where impairment losses are identified, they are accounted for by:

where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the relevant Directorate line(s) in the Comprehensive Income and Expenditure Statement.

Where an impairment loss is reversed subsequently, the reversal is credited to the relevant service line(s) in the Comprehensive Income and Expenditure Statement, up to the amount of the original loss, adjusted for depreciation that would have been charged if the loss had not been recognised.

Depreciation

Depreciation is provided for on all Property, Plant and Equipment assets by the systematic allocation of their depreciable amounts over their useful lives. An exception is made for assets without a determinable finite useful life (i.e. freehold land and certain Community Assets) and assets that are not yet available for use (i.e. assets under construction). Depreciation is charged in the year of disposal and not in the year of acquisition.

Depreciation is calculated on the following basis:

- council dwellings and other buildings – straight-line allocation over the outstanding life of the property as estimated by the valuer
- vehicles, plant, furniture and equipment – straight-line allocation over the projected life of the asset

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

The following useful economic lives have been used in the computation of depreciation:

- council dwellings – 15 to 70 years
- other land and buildings – 5 to 99 years
- vehicles, plant, furniture & equipment – 5 to 30 years
- surplus assets – 20 to 60 years

Note 21. Property, Plant & Equipment (continued)

Disposals

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant and Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income and Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. A proportion of capital receipts relating to housing disposals is payable to the government. The balance of receipts remains within the Capital Receipts Reserve, and can then only be used for new capital investment [or set aside to reduce the Authority's underlying need to borrow (the capital financing requirement)]. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

Note 21. Property, Plant & Equipment (continued)

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 and community assets. There are two categories of non operational Property, Plant and Equipment, namely assets under construction and surplus assets. The following table shows the gross carrying amount and the accumulated depreciation at the beginning and end of the reporting period and summarises the movement in current value over the year for each sub category of Property, Plant and Equipment:

Movements on Balances 2020/21	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2020	161,402	351,745	16,402	8,021	21,762	6,934	566,267
Additions	7,230	1,005	2,244	66	207	8,741	19,493
Revaluation increases/(decreases) recognised in the Revaluation Reserve	711	(6,627)	0	868	(1,235)	0	(6,283)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,938)	(17,802)	0	0	293	0	(30,448)
Derecognition – disposals	(222)	(8,743)	(833)	0	0	0	(9,798)
Assets reclassified (to)/from Held for Sale	0	10,500	0	0	0	(130)	10,370
Assets reclassified (to)/from Surplus Assets	0	0	0	0	0	0	0
Assets reclassified (to)/from Assets Under Construction	0	3,934	0	0	0	(3,934)	0
Other Reclassifications	0	3,996	0	0	0	0	3,996
Other movements in cost or valuation	0	0	0	0	0	0	0
As at 31 March 2021	**156,182**	**338,008**	**17,814**	**8,955**	**21,028**	**11,611**	**553,598**
Accumulated Depreciation and Impairment							
As at 1 April 2020	0	(3,600)	(10,405)	(11)	(89)	0	(+14,107)
Depreciation Charge	(3,423)	(13,041)	(1,528)	0	(49)	0	(18,040)
Depreciation written out to the Revaluation Reserve	310	10,365	0	0	129	0	10,804
Depreciation written out to the Surplus/Deficit on the Provision of Services	3,108	2,339	0	0	0	0	5,447
Derecognition – disposals	5	215	833	0	0	0	1,052
Other Reclassifications	0	(2,555)	0	0	0	0	(2,555)
Other movements in depreciation and impairment	0	0	(242)	0	0	0	(242)
As at 31 March 2021	**0**	**(6,277)**	**(11,343)**	**(11)**	**(9)**	**0**	**(17,641)**
Net Book Value at 31 March 2021	**156,182**	**331,731**	**6,470**	**8,944**	**21,018**	**11,611**	**535,957**
Net Book Value at 31 March 2020	**161,402**	**348,145**	**5,996**	**8,010**	**21,673**	**6,934**	**552,160**

Movements on Balances 2019/20	Council Dwellings	Other Land and Buildings	Vehicles, Plant, Furniture and Equipment	Community Assets	Surplus Assets	Assets Under Construction	Total Property, Plant and Equipment
Cost or Valuation	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
As at 1 April 2019	167,074	375,555	15,945	8,431	10,763	1,917	579,686
Additions	4,446	44,354	2,142	11	3,818	6,777	61,547
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(713)	(5,849)	0	183	22	0	(6,357)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,343)	(10,960)	0	105	(113)	0	(20,311)
Derecognition – disposals	(1,061)	(12,671)	(1,685)	0	(1)	0	(15,419)
Derecognition - other	0	(100)					(100)
Assets reclassified (to)/from Held for Sale	0	(32,779)	0	0	0	0	(32,779)
Assets reclassified (to)/from Surplus Assets	0	(7,082)	0	0	7,082	0	0
Assets reclassified (to)/from Assets Under Construction	1,000	569	0	0	191	(1,760)	0
Other Reclassifications	0	708	0	(708)	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0
As at 31 March 2020	**161,402**	**351,745**	**16,402**	**8,021**	**21,762**	**6,934**	**566,266**
Accumulated Depreciation and Impairment							
As at 1 April 2019	0	(12,748)	(10,546)	(11)	(1)	0	(23,307)
Depreciation Charge	(3,449)	(13,637)	(1,530)	0	(1)	0	(18,617)
Depreciation written out to the Revaluation Reserve	437	18,128	0	0	1	0	18,566
Depreciation written out to the Surplus/Deficit on the Provision of Services	2,991	2,319	0	0	0	0	5,310
Derecognition – disposals	21	2,227	1,672	0	0	0	3,920
Derecognition - other	0	21	0	0	0	0	21
Assets reclassified (to)/from Surplus Assets	0	89	0	0	(89)	0	0
Other Reclassifications	0	0	0	0	0	0	0
Other movements in depreciation and impairment	0	0	0	0	0	0	0
As at 31 March 2020	**0**	**(3,600)**	**(10,405)**	**(11)**	**(89)**	**0**	**(14,106)**
Net Book Value at 31 March 2020	**161,402**	**348,145**	**5,996**	**8,010**	**21,673**	**6,934**	**552,160**
Net Book Value at 31 March 2019	**167,074**	**362,807**	**5,399**	**8,420**	**10,762**	**1,917**	**556,379**

Note 21. Property, Plant & Equipment (continued)

Effects of Changes in Estimates

In 2020/21 the Council made no material changes to its accounting estimates for Property, Plant and Equipment.

Revaluations

The Authority carries out a rolling programme which ensures that all relevant Property, Plant and Equipment required to be measured at current value is revalued at least every five years. All valuations are carried out in accordance with the methodologies and bases for estimation set out in the Professional Standards of the Royal Institution of Chartered Surveyors by RICS Registered Valuers.

Jonathan Rogers, MRICS and Registered Valuer of Harrisons Chartered Surveyors was commissioned to undertake the valuation of the Pentagon Shopping Centre and Gun Wharf (Medway Council's main offices). All other property and land revaluations were undertaken by RICS qualified valuers employed by the Authority.

The effective date of all valuations carried out in 2020/21 was 31 March 2021.

If the revaluation of a specific asset results in a material change in value, an exercise is undertaken to establish whether the change is specific to that asset or could affect the whole asset class. If the material change cannot be identified as specific to that asset, then a review of the whole of that class, e.g. "Car Parks", will be undertaken to ensure that the current value of that asset class held within the balance sheet at the end of the reporting period is not materially misstated.

The significant assumptions applied in estimating the current values of Property, Plant and Equipment are:

- All assets are assumed to have good title, with no unusual or onerous restrictions, encumbrances or outgoings.
- Significant plant and machinery included in each EUV valuation is componentised, where necessary in accordance with the Authority's accounting policies.
- That the property is connected and has a right to use mains services and that sewers, main services and roads giving access to it have been adopted;
- That there are no deleterious or hazardous materials or existing or potential environmental factors that would affect the valuation.
- No contaminative or potentially contaminative uses, underground mining, or other engineering works have ever been carried out that would adversely affect the valuation.
- No allowances have been made for taxation which may arise on disposal or for disposal costs.
- All valuations assume each property would be disposed of separately.

Note 21. Property, Plant & Equipment (continued)

The following table shows the progress of the Authority's rolling programme for the revaluation of Other Property, Plant and Equipment:

	Council Dwellings £000	Other Land and Buildings £000	Vehicles, Plant and Equipment £000	Community assets £000	Surplus Assets £000	Assets Under Construction £000	Total £000
Valued at historical cost	0	26	0	0	0	0	26
Capital expenditure on assets not revalued since the capital expenditure was incurred	0	244	17,814	8,955	0	11,611	38,624
Carried at historic cost	0	270	17,814	8,955	0	11,611	38,650
Valued at current value (fair value for surplus assets) during the year ending:							
31 March 2021	156,182	190,809	0	0	19,604	0	366,079
31 March 2020	0	127,246	0	0	346	0	127,592
31 March 2019	0	7,950	0	0	596	0	8,546
31 March 2018	0	12,025	0	0	436	0	12,461
31 March 2017	0	224	0	0	46	0	270
Total	**156,182**	**338,524**	**17,814**	**8,955**	**21,028**	**11,611**	**553,598**

Removal of Schools Transferring to Academies

1 school achieved academy status between 1 April 2020 and 31 March 2021 with a balance sheet value of £5.2m (2 in 2019/20; value £10.4m). There are no schools which are likely to achieve academy status between 1 April 2021 and 31 March 2022.

Note 21. Property, Plant & Equipment (continued)

Capital Commitments

As at 31 March 2021 the following capital commitments were in place (19/20: £18.219m):

Directorate	2019/20 £'000	2020/21 £'000
Business Support Department	11,972	0
Children's and Adults (inc. Public Health)	517	104
Regeneration, Community, Environment and Transformation	5,266	17,478
Housing Revenue Account	463	0
Total	**18,218**	**17,582**

As at 31 March 2021 there were several large capital projects which had been approved by the Council but the main contracts had not been awarded. These include the £170m Housing Infrastructure Fund award, the construction of new Council dwellings and general property development. Approx. £10m of the capital commitments are with Volker primarily for projects relating to Highways and the installation of new LED street lighting.

In 2019/20 £11.887m capital commitments shown within BSD related to construction projects which either been completed (£2.6m) or transferred to Medway Development Company (£9.1m).

Note 21. Property, Plant & Equipment (continued)

Surplus Assets Fair Value Hierarchy

Details of the Authority's surplus assets and information about the fair value hierarchy as at 31 March 2021 are shown below.

Recurring fair value measurements using:	Level 2 inputs	Level 3 Inputs	Fair Value as at 31 March 2021	Level 2 valuation technique
	£000's	£000's	£000's	
Commercial development	17,583	0	17,583	Market based approach
Residential dwellings	300	0	300	Market based approach
Non residential buildings	883	0	883	Market based approach
Other leased land	474	0	474	Market based approach
Vacant land and buildings	1,789	0	1,789	Market based approach
	21,028	**0**	**21,028**	

NB The Council does not have any Level 1 or Level 3 valuations

Valuation Process for Surplus Assets

The fair value of the Council's surplus assets is measured at least every 5 years in line with our revaluation policy for Property, Plant and Equipment. All valuations are carried out by Royal Institute of Chartered Surveyors qualified employees in accordance with the Professional Standards of the RICS.

Highest and Best Use of Surplus Assets

In estimating the fair value of the Council's Surplus assets, the highest and best use of all of these assets is their current use

Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

■ Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority can access at the measurement date

■ Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly

■ Level 3 – unobservable inputs for the asset or liability.

Note 21. Property, Plant & Equipment (continued)

Highways Infrastructure Assets

Accounting Policy

Highways infrastructure assets

Highways infrastructure assets include carriageways, footways and cycle tracks, structures (e.g. bridges), street lighting, street furniture (e.g. illuminated traffic signals, bollards), traffic management systems and land which together form a single integrated network.

Recognition

Expenditure on the acquisition or replacement of components of the network is capitalised on an accrual basis, provided that it is probable that the future economic benefits associated with the item will flow to the authority and the cost of the item can be measured reliably.

Measurement

Highways infrastructure assets are generally measured at depreciated historical cost. However, this is a modified form of historical cost – opening balances for highways infrastructure assets were originally recorded in balance sheets at amounts of capital undischarged for sums borrowed as at 1 April 1994 England, which was deemed at that time to be historical cost.

Where impairment losses are identified, they are accounted for by the carrying amount of the asset being written down to the recoverable amount.

Medway Council was formed in 1998 from predecessor authorities, Gillingham Borough Council, Kent County Council (Medway Area) and Rochester Upon Medway City Council. As a highways authority, Kent County Council transferred a value of Infrastructure Assets on their balance sheet using an agreed percentage of those overall assets considered to equate to those within the Medway area.

Depreciation

Depreciation is provided on the parts of the highways network infrastructure assets that are subject to deterioration or depletion and by the systematic allocation of their depreciable amounts over their useful lives. Depreciation is charged on a straight-line basis.

Annual depreciation is the depreciation amount allocated each year.

Useful economic lives (UEL) of the various parts of the highways network are assessed by the Chief Highways Engineer using industry standards where applicable as follows:

Part of Highways network	UEL
Carriageways	20 Years
Footways and Cycle tracks	50 Years
(attached to carriageway or segregated)	
Structures	120 Years
Street Lighting	43 Years
Street Furniture	40 Years
Traffic management Systems	20 Years

Disposals and derecognition

When a component of the network is disposed of or decommissioned, the carrying amount of the component in the Balance Sheet is written off to the 'Other operating expenditure' line in the Comprehensive Income and Expenditure Statement as part of the gain or loss on disposal.

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

Note 21. Property, Plant & Equipment (continued)

	2019/20 £'000	2020/21 £'000
Net book value (modified historical cost) at 1 April	132,769	137,927
Additions	13,783	9,311
Derecognition	0	(2,399)
Depreciation	(8,360)	(5,788)
Impairment	(265)	0
Other movements in cost	0	(1,441)
Net book value at 31 March	**137,927**	**137,609**

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

	31 March 2020 £'000	31 March 2021 £'000
Infrastructure Assets	137,927	137,609
Other PPE Assets	552,160	535,957
Total PPE Assets	**690,087**	**673,566**

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

Note 22. Heritage Assets

Accounting Policy

Heritage Assets

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

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

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

The Authority's collections of heritage assets are accounted for as follows:

Buildings

The buildings included are Rochester Castle, Temple Manor, Eastgate House, Brook Pumping Station and various clocks and war memorials. They are not used to provide services and therefore are considered non-operational.

With the exception of Rochester Castle, they were revalued during 2012/13. Unfortunately, despite an extensive search, the Authority was unable to engage a valuer with relevant knowledge to provide a valuation for Rochester Castle, so the valuation remains that of an historic insurance valuation at the present time.

Furniture

The Authority holds many items of furniture ranging from clocks, chairs, chaise lounges, and various types of chests and writing cabinets dating from the 17th, 18th and 19th centuries. Some of these items are on display whilst others are held in storage. Some of these items have previously been valued by industry experts to provide an updated insurance valuation.

Silver/Gold Collections

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

Art Collection

The collection consists of items including various paintings, marble busts and engravings dating from the 17th, 18th and 19th centuries. Part of this category was revalued during both 2014/15 and 2016/17 by industry experts to provide an updated insurance valuation.

Other

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

Heritage Assets – General

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

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

Other

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

Heritage Assets – General

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

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

Note 22. Heritage Assets (continued)

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

	Buildings	Furniture	Silver / Gold Collections	Art Collection	Other	Total Assets
	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation						
1 April 2019	11,773	238	1,331	1,559	2,534	17,436
Revaluations	353	0	0	0	70	423
31 March 2020	**12,126**	**238**	**1,331**	**1,559**	**2,604**	**17,859**
Cost or Valuation						
1 April 2020	12,126	238	1,331	1,559	2,604	17,859
Revaluations	364	0	0	0	0	364
31 March 2021	**12,490**	**238**	**1,331**	**1,559**	**2,604**	**18,223**

Note 22. Heritage Assets (continued)

Heritage Buildings

Those buildings which have been classified as Heritage are:

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

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

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

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

Furniture, Silver/Gold Collection, Art Collection and Other

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

There has been an annual programme of selective valuations in prior years which have resulted in minor changes to the values held in the balance sheet. However, in line with the Authority's accounting policies for heritage assets, there needs to be assurance that the costs of providing valuations give value for money for taxpayers with regards to the information provided within the financial statements verses the cost of obtaining the data. Due to the disproportionate costs of providing valuations from industry experts against the changes in valuation held in the balance sheet, it has been decided that there will be no valuations carried out during 2020/21. A decision as to whether revaluations will be carried out in future years will be taken in due course.

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

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

Other historical interest items include:

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

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

Policy on acquiring Heritage Assets for its Museum Service

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

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

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

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

Preservation of Heritage Assets

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

Management of Heritage Assets

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

Disposals of Heritage Assets

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

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

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

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

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

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

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

Note 24. Investment Properties

Accounting Policy

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

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

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

Fair Value Measurement

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

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

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

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

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

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

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

Revenue Income & Expenditure relating to investment properties

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

Investment properties	**2019/20 £'000**	**2020/21 £'000**
Rental income from investment property	834	823
Direct operating expenses arising from investment property	0	(9)
Net gain/(loss)	**834**	**814**

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.

Note 24. Investment Properties (continued)

Movement in Fair Value

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

Investment Properties	31 March 2020 £'000	31 March 2021 £'000
Balance at start of year	16,967	16,769
Disposals	(50)	0
Net gains/(loss) from fair value adjustments	(148)	101
Balance at end of year	**16,769**	**16,869**

Fair Value Hierarchy

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

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

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

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

Highest and Best Use

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

Valuation Process for Investment Properties

The fair value of the Authority’s investment property is measured annually at each reporting date. Jonathan Rogers, MRICS and Registered Valuer of Harrisons Chartered Surveyors was commissioned to undertake the valuations of ten distribution depots held by Medway Council as investment properties and let to Bobby's foods. All valuations of other investment properties are carried out internally, in accordance with the methodologies and bases for estimation set out in the professional standards of the Royal Institution of Chartered Surveyors.

The other investment properties are as follows:

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

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

Note 25. Assets Held for Sale

Accounting Policy - Non-current Assets Held for Sale

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

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

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

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

	Current		Non-Current	
	2019/20 £'000	2020/21 £'000	2019/20 £'000	2020/21 £'000
Balance Outstanding at start of year	**0**	**32,779**	**0**	**0**
Assets newly classified as held for sale:				
▪ Property, plant and equipment	32,779	130	0	0
Revaluation losses	0	(895)	0	0
Assets declassified as held for sale:				
▪ Property, plant and equipment	0	(10,500)	0	0
Assets sold	0	(3,213)	0	0
Additions	0	91	0	0
Balance Outstanding at year end	**32,779**	**18,392**	**0**	**0**

Note 26. Financial Instruments

Accounting Policy - Financial Instruments

Financial Assets

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

- amortised cost „
- fair value through profit or loss (FVPL), and
- fair value through other comprehensive income (FVOCI)

The authority's business model is to hold investments to collect contractual cash flows. Financial assets are therefore classified as amortised cost, except for those whose contractual payments are not solely payment of principal and interest (i.e. where the cash flows do not take the form of a basic debt instrument).

Financial Assets Measured at Amortised Cost

Financial assets measured at amortised cost are recognised on the Balance Sheet when the authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument.

For most of the financial assets held by the authority, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

However, the authority has made a number of loans to employees at less than market rates (soft loans). When soft loans are made, a loss is recorded in the CIES (debited to the appropriate service) for the present value of the interest that will be foregone over the life of the instrument, resulting in a lower amortised cost than the outstanding principal.

Interest is credited to the Financing and Investment Income and Expenditure line in the CIES at a marginally higher effective rate of interest than the rate receivable from the voluntary organisations, with the difference serving to increase the amortised cost of the loan in the Balance Sheet. Statutory provisions require that the impact of soft loans on the General Fund Balance is the interest receivable for the financial year – the reconciliation of amounts debited and credited to the CIES to the net gain required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Any gains and losses that arise on the derecognition of an asset are credited or debited to the Financing and Investment Income and Expenditure line in the CIES.

Financial Liabilities

Financial liabilities are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Annual charges to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest payable are based on the carrying amount of the liability, multiplied by the effective rate of interest for the instrument. The effective interest rate is the rate that exactly discounts estimated future cash payments over the life of the instrument to the amount at which it was originally recognised.

For most of the borrowings that the Authority has, this means that the amount presented in the Balance Sheet is the outstanding principal repayable (plus accrued interest); and interest charged to the Comprehensive Income and Expenditure Statement is the amount payable for the year according to the loan agreement.

Where premiums and discounts have been charged to the Comprehensive Income and Expenditure Statement, regulations allow the impact on the General Fund Balance to be spread over future years. The Authority has a policy of spreading the gain or loss over the term that was remaining on the loan against which the premium was payable or discount receivable when it was repaid. The reconciliation of amounts charged to the Comprehensive Income and Expenditure Statement to the net charge required against the General Fund Balance is managed by a transfer to or from the Financial Instruments Adjustment Account in the Movement in Reserves Statement.

Note 26. Financial Instruments (continued)

Available-for-Sale Assets

Available-for-Sale Assets are recognised on the balance sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value. Where the asset has fixed or determinable payments, annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement for interest receivable are based on the amortised cost of the asset multiplied by the effective rate of interest for the Instrument. Where there are no fixed or determinable payments, income (e.g. dividends) is credited to the Comprehensive Income and Expenditure Statement when it becomes receivable by the Authority.

Assets are maintained in the Balance Sheet at fair value. Values are based on the following techniques:

- instruments with quoted market prices – the market price
- other instruments with fixed and determinable payments – discounted cash flow analysis
- equity shares with no quoted market prices – independent appraisal of company valuations.

The inputs to the measurement techniques are categorised in accordance with the following three levels:

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

Changes on fair value are balanced by an entry in the Available-for-Sale Reserve and the gain/loss is recognised in the Surplus or deficit on revaluation of Available- for- Sale Financial Assets. The exception is where impairment losses have been incurred – these are debited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement, along with any net gain or loss for the asset accumulated in the Available-for-Sale Reserve.

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

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

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

Note 26. Financial Instruments (continued)

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

Financial Assets

	Non-Current Investments 31 March 2020 £'000	31 March 2021 £'000	Debtors 31 March 2020 £'000	31 March 2021 £'000	Current Investments 31 March 2020 £'000	31 March 2021 £'000	Debtors 31 March 2020 £'000	31 March 2021 £'000	Total 31 March 2020 Restated £'000	31 March 2021 £'000
Fair value through profit or loss	21,979	21,535	0	0	6,969	490	0	0	28,948	22,025
Amortised cost - other	0	0	977	16,637	0	0	42,250	46,541	43,227	63,178
Cash & cash equivalents at amortised cost	0	0	0	0	38,924	24,606	0	0	38,924	24,606
Total financial assets	**21,979**	**21,535**	**977**	**16,637**	**45,893**	**25,096**	**42,250**	**46,541**	**111,099**	**109,809**
Non-financial assets	0	0	1,429	3	0	0	28,747	42,041	30,176	42,044
Total	**21,979**	**21,535**	**2,406**	**16,640**	**45,893**	**25,096**	**70,997**	**88,582**	**141,275**	**151,853**

Financial Liabilities

	Non-Current Borrowings 31 March 2020 £'000	31 March 2021 £'000	Creditors 31 March 2020 £'000	31 March 2021 £'000	Current Borrowings 31 March 2020 £'000	31 March 2021 £'000	Creditors 31 March 2020 £'000	31 March 2021 £'000	Total 31 March 2020 £'000	31 March 2021 £'000
Amortised cost	(262,672)	(235,433)	(31,840)	(30,776)	(36,250)	(48,183)	(41,343)	(50,400)	(372,105)	(364,792)
Cash & cash equivalents at amortised cost	0	0	0	0	0	(7,670)	0	0	0	(7,670)
Total financial liabilities	(262,672)	(235,433)	(31,840)	(30,776)	(36,250)	(55,853)	(41,343)	(50,400)	(372,105)	(372,462)
Non-financial liabilities	0	0	(13)	(19)	0	0	(15,640)	(22,402)	(15,653)	(22,421)
Total	**(262,672)**	**(235,433)**	**(31,853)**	**(30,795)**	**(36,250)**	**(55,853)**	**(56,983)**	**(72,802)**	**(387,758)**	**(394,883)**

The sum of total financial assets as at 31 March 2020 has been restated as the amount shown in the 2019/2020 Statement of Accounts was arithmetically incorrect. The amounts of the individual components of the total have not been changed.

Note 26. Financial Instruments (continued)

Income, Expense, Gains & Losses

	2019/20		2020/21	
	Surplus or deficit on the provision of services £'000	Other comprehensive income and expenditure £'000	Surplus or deficit on the provision of services £'000	Other comprehensive income and expenditure £'000
Net gains/losses on:				
● Financial assets measured at fair value through profit or loss	(745)	0	(444)	0
Total net gains/losses	**(745)**	**0**	**(444)**	**0**
Interest revenue:				
● Other financial assets measured at fair value through other comprehensive income	3,717	0	3,411	0
Total interest revenue	**3,717**	**0**	**3,411**	**0**
Interest expense:	12,392	0	12,443	0
Fee income:				
● Financial assets or financial liabilities that are not at fair value through profit or loss	0	0	0	0
● Trust and other fiduciary activities	0	0	0	0
Total fee income	**0**	**0**	**0**	**0**

Note 26. Financial Instruments (continued)

Accounting Policy - Fair Value Measurement

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

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

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

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

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

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

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

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

The fair values calculated are as follows:

For loans from the PWLB and other loans payable, new borrowing rates from the PWLB have been applied;

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

Note 26. Financial Instruments (continued)

Financial Assets	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000	31 March 2021 Carrying Amount £'000	31 March 2021 Fair Value £'000
Loans and receivables - Investments	6,969	6,969	490	490
Cash and Cash Equivalents	38,924	38,924	24,606	24,606
Investments at Fair Value through Profit & Loss	21,979	21,979	21,535	21,535
Debtors	36,947	36,947	63,178	63,178

Financial Liabilities	31 March 2020 Carrying Amount £'000	31 March 2020 Fair Value £'000	31 March 2021 Carrying Amount £'000	31 March 2021 Fair Value £'000
Borrowing	298,922	325,446	283,616	312,495
Creditors	71,763	71,763	81,176	81,176
Bank Overdrafts	0	0	7,670	7,670

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

Short-term debtors and creditors are carried at cost as this is a fair approximation of their fair value.

Fair Value Hierarchy and Valuation Techniques

The fair value of the property fund investments (classified as fair value through profit & loss) has been measured using Level 1 inputs i.e. unadjusted quoted prices in active markets for identical shares.

The fair value of other financial assets and liabilities disclosed above are measured using Level 2 inputs i.e. inputs other than quoted prices that are observable for the financial asset or liability.

The fair values can be assessed by calculating the present value of the cash flows that will take place over the remaining term of the instruments using the following assumptions:

Market rates for investments

- Not applicable - no fixed term investments

Discount rates for borrowing

- LOBO 1.796% to 2.1962%
- Market Debt 0.81081% to 0.89771%
- PWLB maturity 0.96% to 2.11%
- PWLB annuity 1.1% Temporary Loans 0.18%

Other assumptions

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

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

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

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

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

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

Credit Risk

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

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

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

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

The full investment strategy for 2020/21 was approved by full Council on 20/02/20 and the 2021/22 strategy was approved on 18/02/21. Both are available on the Authority's website.

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

The Authority's maximum exposure to credit risk in relation to its investments in banks and building societies of £16.917m cannot be assessed generally as the risk of any institution failing to make interest payments or repay the principal sum will be specific to each individual institution. Recent experience has shown that it is rare for such entities to be unable to meet their commitments. A risk of irrecoverability applies to all of the Authority's deposits, but there was no evidence at 31 March 2021 that this was likely to crystallise.

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

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

	Amount at 31 March 2021 £'000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks, financial institutions and other local authorities*	17,407	0.00	0
Customers	27,191	27.21	7,399
Total	**44,598**		**7,399**

* This is made up of the following:	Amount at 31 March 2021 £'000
NatWest	10,200
Svenska Handelsbanken	1
Lloyds	11
Santander	6,701
Barclays	4
CCLA	490
Total	**17,407**

	Amount at 31 March 2020 £'000	Historical experience of default %	Estimated maximum exposure to default and uncollectability £'000
Deposits with banks, financial institutions and other local authorities*	47,492	0	0
Customers	25,196	9.55	2,406
Total	**72,688**		**2,406**

* This is made up of the following:	Amount at 31 March 2020 £'000
NatWest	25,000
Svenska Handelsbanken	15,500
Lloyds	35
CCLA	6,953
Barclays	4
Total	**47,492**

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

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

	31 March 2020 £'000	31 March 2021 £'000
Less than three months	2,298	2,856
Three to six months	2,032	2,107
Six months to one year	2,691	3,262
More than one year	11,333	11,375
	18,354	**19,600**

The Authority's provision for expected credit loss stood at £7.400m at 31 March 2020 (£2.406m at 31 March 2020). The provision is calculated by applying the aged debt analysis and applying percentages to agreed categories of debt.

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

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

Liquidity Risk

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

	Lower Limit %	Upper Limit %	Actual 31 March 2020 %	Actual 31 March 2021 %
Less than one year	0	50	3.89	1.45
Between one and two years	0	50	0.00	5.65
Between two and five years	0	50	13.62	4.36
Between five and ten years	0	50	19.45	10.91
More than ten years	0	100	63.04	77.62

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.

In addition to the fixed rate borrowing the authority has £45m (31 March 2020 £27m) of loans from other authorities repayable within 12 months. These loans are classified as variable rate due to the short time before repayment.

The maturity analysis of financial liabilities is as follows:

	31 March 2020 £'000	31 March 2021 £'000
Less than one year	41,614	57,102
Between one and two years	53,127	19,372
Between two and five years	42,891	51,830
More than five years	340,632	449,507
Total Principal and Interest	**478,264**	**577,811**

The previous year has been restated to include short term borrowing which was excluded from this note in error.

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

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

	Lower Limit %	Upper Limit %	Actual 31 March 2021 %
Less than one year	0	75	14.55
Between one and two years	0	50	8.93
Between two and five years	0	50	18.77
Between five and ten years	0	50	24.57
More than ten years	0	100	33.18

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 surplus or deficit on the provision of services will rise
- borrowings at fixed rates – the fair value of the borrowings will fall (no impact on revenue balances)
- investments at variable rates – the interest income credited to the surplus or deficit on the provision of services will rise
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances)

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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of 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 has a mixture of standard fixed rate borrowings and LOBO (lender option borrower option) loans. The LOBO loans were taken out between 2003 and 2008 with maturity periods of between 35 and 60 years. The interest rates payable on these loans could be changed at specified dates during the life of the loan at the lender's option. The specified dates vary from loan to loan but occur at intervals of between six months and five years from the initial advance according to the individual loan contract. If a lender chose to vary the interest payable then the Authority would have the option to repay the loan without penalty. In practice the lender would only exercise their option if market rates were to increase above the current rate.

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

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

Borrowing Analysis	Fixed or Variable Rate	Borrowing as at 31 March 2021 £'000	Borrowing as at 31 March 2020 £'000
Long-Term Borrowing:			
PWLB Loans (Principal)	Fixed	123,524	123,524
LOBO Loans (Principal)	Variable	101,800	101,800
Other Loans and Accounting Adjustments	Fixed	39,868	39,868
Total Long-Term Borrowing		**265,192**	**265,192**
Short-Term Borrowing:			
PWLB Loans (Principal)	Fixed	0	5,000
Other Local Authorities	Fixed	45,000	27,000
Other Short-Term Borrowing and Accrued Interest	Fixed	1,584	1,730
Total Short-Term Borrowing		**46,584**	**33,730**

Other loans and accounting adjustments (£39.868m) includes an accounting adjustment of £1.488m in respect of LOBO loans. This technical accounting adjustment represents the cash benefit obtained by paying lower interest payments over a specified initial period on some of the LOBO loans. The adjustment is shown in the balance sheet as an addition to the value borrowed but is reduced by way of a credit to the income and expenditure account each year over the full term of the relevant loans. The adjustment has been included above as being at fixed rates because the value will not be affected even if the LOBO lenders exercise their option to change the rates of interest on the underlying loans.

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

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

According to this assessment strategy, as at 31 March 2020, if interest rates had been 1% higher with all other variables held constant, the financial effect would be:

	31 March 2020 £000s	31 March 2021 £000s
Increase in interest payable on variable rate borrowing	280	280
Increase in interest receivable on variable rate investments	188	188
Increase in government grant receivable for financing costs		
Impact on Surplus or Deficit on the Provision of Services	**468**	**468**
Decrease in fair value of fixed rate borrowings liabilities (no impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure)	44,536	47,649

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

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

Price Risk

The Authority does not generally invest in equity shares or marketable bonds. It does however hold stock in the form of investments in property funds at a value of £21.535m (2019/20 £21.979m).

The funds are classified as "financial assets at fair value through profit and loss" meaning that movement in price will impact on gains and losses in the surplus or deficit on the provision of services within the Comprehensive Income and Expenditure Statement for 2020/21.

Foreign Exchange Risk

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

Note 28. Capital Expenditure & Capital Financing

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

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

The total amount of capital expenditure incurred in the year is shown in the table below (including the value of assets acquired under finance leases), together with the resources that have been used to finance it. Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Authority, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Authority that has yet to be financed. The CFR is analysed in the second part of this note.

	2019/20 £'000	2020/21 £'000
Opening Capital Financing Requirement	269,540	323,444
Capital Investment		
Property Plant and Equipment	73,529	28,803
Assets Held for Sale	106	91
Revenue Expenditure Funded from Capital under Statute	9,619	9,888
Long Term Debtors[1]	0	12,892
Sources of Finance		
Capital receipts	(285)	(4,314)
Government grants and other contributions	(21,090)	(18,010)
Sums set aside from revenue		
Direct revenue contributions	(2,790)	(2,900)
Major Repairs Reserve	(3,824)	(3,698)
Minimum Revenue Provision	(1,361)	(1,307)
Closing Capital Financing Requirement	**323,444**	**344,892**
Explanation of movements in year		
Increase in underlying need to borrowing (unsupported by government financial assistance)	53,904	21,447
Increase/(decrease) in Capital Financing Requirement	**53,904**	**21,447**

[1] The long term debtors shown above relate to loans made to a subsidiary of the council for capital purposes.

Note 29. Leases

Accounting Policy - Leases

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

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

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

Accounting Policy - The Authority as Lessee (Finance Leases)

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

Lease payments are apportioned between:

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

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

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

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

	31 March 2020 £'000	31 March 2021 £'000
Other Land & Buildings	662	711

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

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

Note 29. Leases (continued)

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

	31 March 2020 £'000	31 March 2021 £'000
Vehicles, Plant & Equipment	1,725	1,466

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

	31 March 2020 £'000	31 March 2021 £'000
Finance lease liabilities (net present value of minimum lease payments):		
● current	17	276
● non-current	1,708	1,189
Finance costs payable in future years	101	147
Minimum Lease Payments	**1,826**	**1,612**

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

	Minimum Lease Payments		Finance Lease Payments	
	31 March 2020 £'000	31 March 2021 £'000	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	296	304	0	270
Later than one year and not later than five years	1,141	1,177	0	1,004
Later than five years	389	131	0	222
	1,826	**1,612**	**0**	**1,496**

Note 29. Leases (continued)

Accounting Policy - Authority as Lessee (Operating Leases)

Operating Leases Rentals paid under operating leases are charged to the Comprehensive Income and Expenditure Statement as an expense of the services benefitting from use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments (e.g. there is a rent-free period at the commencement of the lease).

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

	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	758	759
Later than one year and not later than five years	1,440	576
Later than five years	172	2,326
Total	**2,370**	**3,661**

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

	2019/20 £'000	2020/21 £'000
Minimum Lease Payments	949	758
Sublease Payments Receivable	(37)	(52)
	912	**706**

Note 29. Leases (continued)

Accounting Policy - The Authority as Lessor (Operating Leases)

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

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

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

The future minimum lease payments receivable are:

	31 March 2020 £'000	31 March 2021 £'000
Not later than one year	1,948	1,581
Later than one year and not later than five years	4,414	4,090
Later than five years	13,962	13,023
Total	**20,324**	**18,694**

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 2020/21; £0.355m contingent rents were receivable by the Authority (2019/20 £0.370m).

Note 30. Debtors

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

31 March 2020				31 March 2021		
Long-Term	Short-Term	Total		Long-Term	Short-Term	Total
£'000	£'000	£'000		£'000	£'000	£'000
973	*44,819*	*45,792*	Trade receivables	16,093	51,747	67,840
0	*(3,444)*	*(3,444)*	Less impairment allowance	0	(9,100)	(9,100)
973	**41,375**	**42,348**	**Net trade receivables**	**16,093**	**42,647**	**58,740**
0	**2,770**	**2,770**	**Prepayments**		2,694	2,694
			Other receivables:			
0	31	31	Client Financial Affairs Debtors		31	31
1,420	0	1,420	Education Related Debtors	530	0	530
0	6	6	Elections Debtors		6	6
0	*11,280*	*11,280*	Housing Benefit Debtors		10,713	10,713
0	*(8,567)*	*(8,567)*	Less impairment allowance		(7,955)	(7,955)
0	2,713	2,713	Net Housing Benefit Debtors	0	2,758	2,758
0	*1,025*	*1,025*	HRA Rent/Service Charge Debtors		1,060	1,060
0	*(447)*	*(447)*	Less impairment allowance		(362)	(362)
0	578	578	Net HRA Rent/Service Charge Debtors	0	698	698
0	*22,377*	*22,377*	Local Taxation Debtors		45,453	45,453
0	*(3,433)*	*(3,433)*	Less impairment allowance		(10,149)	(10,149)
0	18,944	18,944	Net Local Taxation Debtors	0	35,304	35,304
0	386	386	Rechargeable Works Debtors		220	220
0	30	30	Schools Debtors		1,051	1,051
0	5	5	SOCH Mortgage Debtors		5	5
13	15	28	Employee Related Debtors	17	38	55
0	4,144	4,144	VAT Debtors		3,129	3,129
1,433	**26,852**	**28,285**	**Other receivables**	**547**	**43,240**	**43,787**
2,406	**70,997**	**73,403**	**Total Debtors**	**16,640**	**88,581**	**105,221**

Note 31. Usable Reserves

Accounting Policy - Usable Reserves

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

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

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

Reserve	Balance as at 01 April 2019 £,000	Net Movement in Year £,000	Balance as at 31 March 2020 £,000	Net Movement in Year £,000	Balance as at 31 March 2021 £,000	Purpose of Reserve
General Fund Balance	(9,039)	(4,884)	(13,924)	(8,765)	(22,689)	Resources available to the general fund to meet future unforeseen events
Housing Revenue Account Balance	(5,114)	(31)	(5,145)	(250)	(5,395)	Resources available to the housing revenue account to meet future unforeseen events
General Fund Earmarked Reserves	(12,988)	801	(12,187)	(45,213)	(57,398)	See Note 20
Housing Revenue Account Earmarked Reserves	(1,194)	(407)	(1,601)	1,295	(306)	See Note 20
Capital Receipts Reserve	(1,110)	(4,354)	(5,463)	(1,210)	(6,674)	Proceeds of fixed assets and loan repayments available to meet future capital expenditure
Major Repairs Reserve	(100)	100	0	0	0	Details available resources to carry out capital works on Housing Revenue Account dwellings to maintain a decent standard of accommodation.
Capital Grants Unapplied Reserve	(10,988)	(7,776)	(18,764)	(7,152)	(25,916)	Reflects Government grants and contributions received in year to fund capital projects in progress.
Total Usable Reserves	**(40,532)**	**(16,551)**	**(57,083)**	**(61,296)**	**(118,378)**	

Note 32. Cash & Cash Equivalents

Accounting Policy - Cash and Cash Equivalents

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

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

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

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

	31 March 2020 £'000	31 March 2021 £'000
Cash held by the Authority	24	49
Bank current accounts	5,731	7,640
Bank overdraft	(7,613)	(7,670)
Short-term deposits with financial institutions	40,540	16,917
Total Cash & Cash Equivalents	**38,682**	**16,936**

Note 33. Creditors

31 March 2020 Long-Term £'000	31 March 2020 Short-Term £'000	31 March 2020 Total £'000		31 March 2021 Long-Term £'000	31 March 2021 Short-Term £'000	31 March 2021 Total £'000
(486)	(40,293)	(40,780)	Trade payables	(674)	(49,381)	(50,055)
0	(1,147)	(1,147)	Receipts in Advance	0	(745)	(745)
			Other payables			
(6)	(1,694)	(1,700)	Employee Related Creditors	0	(2,210)	(2,210)
0	(549)	(549)	HRA Rent/Service Charge Creditors	0	(573)	(573)
(31,360)	(1,307)	(32,667)	Local Government Reorganisation Creditors	(30,105)	(1,255)	(31,360)
0	(11,991)	(11,991)	Local Taxation Creditors	0	(18,558)	(18,558)
0	(2)	(2)	Rechargeable Works Creditors	0	0	0
0	0	0	SOCH Mortgage Creditors	(16)	0	(16)
0	0	0	VAT Creditors	0	(80)	(80)
(31,852)	**(56,983)**	**(88,836)**	**Total Creditors**	**(30,795)**	**(72,802)**	**(103,597)**

Note 34. Provisions

Accounting Policy - Provisions

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

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

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

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

Non Domestic Rate (NDR) Appeals Provision

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

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

Note 34. Provisions (continued)

Short Term

	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	Total £000s
Balance as at 31 March 2020	0	(2,403)	(138)	(2,541)
Amounts used in 2020/21	0	607	0	607
Unused amounts reversed in 2020/21	0	4	0	4
Balance as at 31 March 2021	**0**	**(1,792)**	**(138)**	**(1,930)**

Long Term

	Insurance Provision £000s	NDR Appeals Provision £000s	Other Provisions £000s	Total £000s
Balance as at 31 March 2020	(2,766)	(3,428)	(763)	(6,957)
Additional provisions made in 2020/21	1,866	(1,793)	(120)	(47)
Amounts used in 2020/21	(860)	2,054	5	1,199
Balance as at 31 March 2021	**(1,760)**	**(3,167)**	**(878)**	**(5,806)**

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

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

The Insurance Provision represents the sum set aside for unsettled, known claims as at 31 March 2020 in line with IAS 37. The majority of the unsettled claims are for public liability.

Note 35. Pension Schemes Accounted for as Defined Contribution Schemes

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

Some employees of the Authority are members of:

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

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

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

The accounting policy with regards to discretionary benefits can be found with Note 37 to these financial statements.

The Teachers Pension Scheme provides teachers with specified benefits upon their retirement, and the Authority contributes towards the costs by making contributions based on a percentage of members' pensionable salaries.

The scheme is a multi-employer defined benefit scheme. The scheme is unfunded and the Department for Education uses a notional fund as the basis for calculating the employers' contribution rate paid by local authorities. Valuations of the notional fund are undertaken every four years.

In 2020/21, the Authority paid £3.986m to Teachers Pensions in respect of teachers retirement benefits, representing 23.68% of pensionable pay. The figures for 2019/20 were £4.251m representing 16.48% of pensionable pay for the period 01/04/19 to 31/08/19 when it increased to 23.68%. There were no contributions remaining payable at year end. The contributions due to be paid in the next financial year are estimated to be £4.972m.

Public Health staff employed by the Authority are members of the NHS Pension Scheme. The Scheme is an unfunded, defined benefit scheme that covers NHS employers and is a multi-employer defined benefit scheme. The Authority is not able to identify the underlying scheme assets and liabilities for the staff transferred. For the purposes of this Statement of Accounts, it is therefore accounted for on the same basis as a defined contribution scheme.

The total contributions for the year 2020/21 came to £0.081m representing 16.88% of the pensionable pay (£0.089m in 2019/20 representing 16.88% of the pensionable pay). The contributions due to be paid in the next financial year are estimated to be £0.069m.

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

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

Note 36. Unusable Reserves

Accounting Policy - Unusable Reserves

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

	31 March 2020 £'000	31 March 2021 £'000
Revaluation Reserve	(166,189)	(160,208)
Pooled Investment Adjustment Account Instruments Revaluation Reserve	1,020	1,465
Capital Adjustment Account	(267,239)	(233,960)
Financial Instruments Adjustment Account	(1,251)	(1,298)
Deferred Capital Receipts Reserve	(0)	(481)
Pensions Reserve	265,337	334,908
Collection Fund Adjustment Account	(3,562)	23,501
Accumulated Absences Account	1,557	2,155
Dedicated Schools Grant Adjustment Account	0	16,261
Total Unusable Reserves	**(170,326)**	**(17,657)**

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.

	2019/20 £'000	2020/21 £'000	£'000
Balance as at 1 April	**(166,368)**		**(166,189)**
Upward revaluation of assets	(46,241)	(26,559)	
Downward revaluation of assets and impairment losses not charged to the Surplus/Deficit on the Provision of Services	33,874	21,675	
Surplus or deficit on revaluation of non-current assets not posted to the Surplus/Deficit on the Provision of Services	**(12,367)**		**(4,884)**
Difference between current value depreciation and historical cost depreciation	7,951	7,492	
Transfer on assets amalgamated during the year	98	170	
Accumulated gains on assets sold or scrapped	4,497	3,202	
Amount written off to the Capital Adjustment Account	12,546		10,865
Balance as at 31 March	**(166,189)**		**(160,208)**

Note 36. Unusable Reserves (continued)

Pooled Investment Adjustment Account

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

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

	2019/20 £'000	2020/21 £'000
Balance as at 1 April	**275**	**1,020**
Financial Instruments held under Fair Value through Profit & Loss Subject to MHCLG Statutory Over-Ride	745	445
Balance as at 31 March	**1,020**	**1,465**

Capital Adjustment Account

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

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

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

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

Note 36. Unusable Reserves (continued)

	2019/20 £'000	£'000	2020/21 £'000	£'000
Balance as at 1 April		**(289,442)**		**(267,239)**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income and Expenditure Statement:				
● Charges for depreciation and impairment of non-current assets	54,444		56,369	
● Revaluation gains on Property, Plant and Equipment	(12,500)		(6,662)	
● Amortisation of Intangible Assets	760		520	
● Revenue Expenditure funded from Capital Under Statute	9,619		9,888	
● 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	11,628		14,358	
		63,951		74,472
Adjusting amounts written out of the Revaluation Reserve	(12,546)		(10,865)	
Net written out amount of the cost of non-current assets consumed in the year		(12,546)		(10,865)
Capital financing applied in the year:				
● Use of Capital Receipts Reserve to finance new capital expenditure	(285)		(4,314)	
● Use of the Major Repairs Reserve to finance new capital expenditure	(3,824)		(3,698)	
● Capital grants and contributions credited to the Comprehensive Income and Expenditure Statement that have been applied to capital financing	(14,733)		(11,339)	
● Application of grants to capital financing from the Capital Grants Unapplied Account	(6,357)		(6,670)	
● Statutory provision for the financing of capital investment charged against the General Fund and HRA balances	(1,361)		(1,307)	
● Capital expenditure charged against the General Fund and HRA balances	(2,790)		(2,900)	
		(29,350)		(30,228)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income and Expenditure Statement		148		(101)
Balance as at 31 March		**(267,239)**		**(233,960)**

Note 36. Unusable Reserves (continued)

Financial Instruments Adjustment Account

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

	2019/20	2020/21	
	£'000	£'000	£'000
Balance as at 1 April	**(1,183)**		**(1,251)**
Premiums incurred in the year and charged to the Comprehensive Income and Expenditure Statement	(68)	(47)	
Proportion of premiums incurred in previous financial years to be charged against the General Fund Balance in accordance with statutory requirements	0	0	
Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(68)		(47)
Balance as at 31 March	**(1,251)**		**(1,298)**

Deferred Capital Receipts Reserve

The Deferred Capital Receipts Reserve holds the gains recognised on the disposal of non-current assets but for which cash settlement has yet to take place. Under statutory arrangements, the authority does not treat these gains as usable for financing new capital expenditure until they are backed by cash receipts. When the deferred cash settlement eventually takes place, amounts are transferred to the Capital Receipts Reserve.

	2019/20	2020/21
	£'000	£'000
Balance as at 1 April	**(2,897)**	**(0)**
Transfer of deferred sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	0	(481)
Transfer to the Capital Receipts Reserve upon receipt of cash	2,897	0
Balance as at 31 March	**0**	**(481)**

Note 36. Unusable Reserves (continued)

Pensions Reserve

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

	2019/20 £'000	2020/21 £'000
Balance as at 1 April	261,303	265,337
Remeasurements of the net defined benefit liability/(asset)	(17,418)	42,063
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	33,578	40,062
Employer's pensions contributions and direct payments to pensioners payable in the year	(12,126)	(12,554)
Balance as at 31 March	**265,337**	**334,908**

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.

	2019/20 £'000	2020/21 £'000
Balance as at 1 April	(2,170)	(3,562)
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	(1,392)	27,063
Balance as at 31 March	**(3,562)**	**23,501**

The balance of £3.562m shown above consists of the following component parts:

	2019/20 £'000	2020/21 £'000
Medway Council Tax Surplus	(4,232)	4,791
Medway Renewable Energy Disregard	(238)	0
Medway Non-Domestic Rate Deficit	908	18,710
Balance as at 31 March	**(3,562)**	**23,501**

Note 36. Unusable Reserves (continued)

Accumulated Absences Account

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

	2019/20	2020/21	
	£'000	£'000	£'000
Balance as at 1 April	**1,766**		**1,557**
Settlement or cancellation of accrual made at the end of the preceding year	(1,766)	(1,557)	
Amounts accrued at the end of the current year	1,557	2,155	
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	(209)		598
Balance as at 31 March	**1,557**		**2,155**

Dedicated Schools Grant Adjustment Account

The DSG Adjustment Account manages the deficit on Schools Budgets that would otherwise impact on the Earmarked Schools Reserves. Statutory arrangements require that the impact on the General Fund Balances is neutralised by transfers to or from the Account.

	2019/20	2020/21
	£'000	£'000
Balance as at 1 April	**0**	**0**
Opening Balance Adjustment		9,346
Adjusted Opening Balance as at 1 April	**0**	**9,346**
In year Schools budget deficit debited to the Comprehensive Income and Expenditure Statement and transferred to the DSG Adjustment Accounts in accordance with statutory requirements	0	6,916
Balance as at 31 March	**0**	**16,261**

Note 37. Defined Benefit Pension Schemes

Accounting Policy – Post-employment benefits

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

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

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

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

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

- Service cost comprising:
  - current service cost – the increase in liabilities as a result of years of service earned this year – allocated in the Comprehensive Income and Expenditure Statement to the services for which the employees worked
  - past service cost – the increase in liabilities arising from current year decisions whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement as part of the Business Support Department
  - net interest on the net defined benefit liability/asset, i.e. net interest expense for the Authority – the change during the period in the net defined liability (asset) that arises from the passage of time charged to the Financing and Investment Income and Expenditure line of the Comprehensive Income and Expenditure Statement – this is calculated by applying the discount rate used to measure the defined benefit at the beginning of the period to the net defined benefit liability (asset) at the beginning of the period – taking into account any changes in the net defined benefit liability/asset during the period as a result of contribution and benefit payments.
- Remeasurements comprising:
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability (asset) – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions – charged to the Pensions Reserve as Other Comprehensive Income and Expenditure
  - contributions paid to the Kent pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Note 37. Defined Benefit Pension Schemes (continued)

Discretionary Benefits

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

Note 37. Defined Benefit Pension Schemes (continued)

Participation in Pension Schemes

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

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

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

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

Contributions are set every 3 years as a result of the actuarial valuation of the Fund required by the Regulations. The next actuarial valuation of the Fund will be carried out as at 31 March 2022 and set contributions for the period from 1 April 2023 to 31 March 2026. There are no minimum funding requirements in the LGPS but the contributions are generally set to target a funding level of 100% using the actuarial valuation assumptions.

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

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

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

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.

Note 37. Defined Benefit Pension Schemes (continued)

Transactions relating to Post Employment Benefits

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

	2019/20 £'000	2020/21 £'000
Comprehensive Income and Expenditure Statement		
Cost of Services		
Service cost comprising:		
● Current service costs	23,098	32,970
● Past service costs	4,924	683
● (gain)/loss from settlements	(874)	(673)
Financing and Investment Income and Expenditure		
Net Interest expense	6,114	6,677
Administration expenses	316	405
Total Post Employment Benefit charged to the Surplus or Deficit on the Provision of services	**33,578**	**40,062**
Remeasurement of the net defined benefit liability comprising:		
● Return on plan assets in excess of interest	53,304	(139,594)
● Actuarial gains and losses arising on changes in demographic assumptions	(13,962)	(8,583)
● Actuarial gains and losses arising on changes in financial assumptions	(68,643)	201,329
● Experience (gain) / loss on defined benefit obligation	7,330	(11,089)
● Other actuarial (gains)/losses	4,553	0
Total Remeasurements Recognised in Other Comprehensive Income	**(17,418)**	**42,063**
Total Post-employment Benefits charged to the Comprehensive Income and Expenditure Statement	**16,160**	**82,125**
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	33,578	40,062
Actual amount charged against the General Fund Balance for pensions in the year:		
Employers' contributions payable to scheme	(12,126)	(12,554)
Total Movement in Reserves Statement	**21,452**	**27,508**

Note 37. Defined Benefit Pension Schemes (continued)

Pensions Assets and Liabilities Recognised in the Balance Sheet

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

	Local Government Pension Scheme	
	31 March 2020 £'000	31 March 2021 £'000
Present value of the defined benefit obligation	(753,328)	(964,506)
Fair value of plan assets	493,019	634,561
Sub-total	(260,309)	(329,945)
Present value of unfunded obligation	(5,028)	(4,963)
Net liability arising from defined benefit obligation	**(265,337)**	**(334,908)**

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

	Local Government Pension Scheme	
	31 March 2020 £'000	31 March 2021 £'000
Opening fair value of scheme assets	546,522	493,019
Interest income	13,011	7,695
Remeasurement gain/(loss):		
● The return on plan assets, excluding the amount included in the net interest expense	(53,304)	139,594
● Other actuarial gains/(losses)	(4,553)	0
Administration expenses	(316)	(405)
Contributions from employer including unfunded	12,126	12,554
Contributions from employees into the scheme	4,036	4,233
Benefits paid	(23,605)	(21,586)
Settlement prices received/(paid)	(898)	(543)
Closing fair value of scheme assets	**493,019**	**634,561**

Note 37. Defined Benefit Pension Schemes (continued)

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

	Funded Liabilities: Local Government Pension Scheme 2019/20 £'000	Funded Liabilities: Local Government Pension Scheme 2020/21 £'000
Opening balance at 1 April	**807,825**	**758,356**
Current service cost	23,098	32,970
Interest cost	19,125	14,372
Contributions from scheme participants	4,036	4,233
Remeasurement (gains)/losses:		
● Actuarial gains and losses arising on changes in demographic assumptions	(13,962)	(8,583)
● Actuarial gains and losses arising on changes in financial assumptions	(68,643)	201,329
● Experience loss/(gain) on defined benefit obligation	7,330	(11,089)
Liabilities extinguished on settlements	(1,772)	(1,216)
Liabilities assumed on entity combinations		
Estimated benefits paid net of transfers in	(23,146)	(21,146)
Past service cost, including curtailments	4,924	683
Unfunded pension payments	(459)	(440)
Closing balance at 31 March	**758,356**	**969,469**

Note 37. Defined Benefit Pension Schemes (continued)

Local Government Pension Scheme assets comprised:

	Period Ended 31 March 2020				Period Ended 31 March 2021			
	Quoted prices in active markets £'000	**Quoted prices not in active markets £'000**	**Total £'000**	**Percentage of total asset %**	**Quoted prices in active markets £'000**	**Quoted prices not in active markets £'000**	**Total £'000**	**Percentage of total asset %**
Equities	285,458	0	285,458	57.90%	335,683	51,399	387,082	61.00%
Fixed Interest Government Securities	3,944	0	3,944	0.80%	3,807	0	3,807	0.60%
Corporate Bonds	64,092	0	64,092	13.00%	79,320	0	79,320	12.50%
Property	0	67,544	67,544	13.70%	0	65,994	65,994	10.40%
Others:								
Cash	0	14,298	14,298	2.90%	0	31,093	31,093	4.90%
Private Equity	0	12,325	12,325	2.50%	0	15,229	15,229	2.40%
Infrastructure	0	5,423	5,423	1.10%	0	6,346	6,346	1.00%
Absolute Return Portfolio	41,414	0	41,414	8.40%	45,688	0	45,688	7.20%
Derivatives	0	(1,479)	(1,479)	(0.30%)		0	0	0.00%
Total assets	**394,908**	**98,111**	**493,019**	**100.00%**	**464,499**	**170,062**	**634,561**	**100.00%**

The funds Actuaries have estimated the bid values where necessary. The final asset allocation of the Fund assets as at 31 March 2021 is likely to be different from that shown due to estimation techniques.

Note 37. Defined Benefit Pension Schemes (continued)

Basis for Estimating Assets, Liabilities and Assumptions

The principal assumptions used by the actuary have been:

To assess the value of the Employer's liabilities at 31 March 2021, the actuary has rolled forward the value of the Employer's liabilities calculated for the funding valuation as at 31 March 2020 using financial assumptions that comply with IAS19.

The full actuarial valuation involved projecting future cash flows to be paid from the Fund and placing a value on them. These cash flows include pensions currently being paid to members of the Scheme as well as pensions (and lump sums) that may be payable in future to members of the 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 2021 without completing a full valuation. However, the actuary is satisfied that the approach of rolling forward the previous valuation data to 31 March 2021 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 2020 allowing for investment returns (estimated where necessary), contributions paid into, and estimated benefits paid from, the Fund by and in respect of the Employer and our Employees.

Medway Council participates in a pool with other employers in order to share experience of risks they are exposed to in the Fund. At the 2019 valuation, the deficit for the whole pool was calculated and allocated to each employer in proportion to their value of liabilities. The next reallocation will be carried out at the 2022 valuation, should the Employer remain in the pool. Each employer within the pool pays a contribution rate based on the cost of benefits of combined membership of the pool.

As a result of allowing for actual experience, which may be different from that assumed previously, an experience item may be observed in the reconciliation to 31 March 2020.

Impact of McCloud/Sargeant judgement

The results in this note include an allowance to reflect the Court of Appeal judgement in respect of the McCloud and Sargeant cases which relate to age discrimination within the Judicial and Fire Pension schemes, respectively. This allowance was described in the previous accounting period and incorporated into the accounting results as at 31 March 2020. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 March 2021.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud and Sargeant cases. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. The actuary does not believe there are any material differences between the approach underlying their estimated allowance and the proposed remedy. A more detailed analysis at this stage would require a significant volume of member data which is not yet available. Therefore, they have not included any further adjustment in light of the ongoing consultation in their report.

Note 37. Defined Benefit Pension Schemes (continued)

Demographic, Statistical and Financial Assumptions

The actuary has adopted a set of demographic assumptions that are consistent with those used for the funding valuation as at 31 March 2019. The post retirement mortality tables adopted are the S2PA tables with a multiplier of 95% for males and 95% for females. These base tables are then projected using the CMI 2018 Model, allowing for a long-term rate of improvement of 1.5% p.a.

The assumed life expectations from age 65:

Life Expectancy from age 65 (years)	Local Government Pension Scheme	
	31 March 2020	31 March 2021
Mortality assumptions: Longevity at 65 for current pensioners		
● Men	21.8	21.6
● Women	23.7	23.6
Longevity at 65 for future pensioners		
● Men	23.2	22.9
● Women	25.2	25.1

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;
- The proportion of the membership that had taken up the 50:50 option at the previous valuation date will remain the same.

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

	Local Government Pension Scheme	
	31 March 2020	31 March 2021
Rate of increase in salaries	2.95%	3.85%
Rate of increase in pensions	1.95%	2.85%
Rate for discounting scheme liabilities	2.35%	2.00%
Rate of increase in Consumer Price Index	1.95%	2.85%

These assumptions are set with the reference to market conditions at 31 March 2021.

The actuary's estimate of the duration of the Employer's liabilities is 21 years.

An estimate of the Employer’s future cashflows is made using notional cashflows based on the estimated duration above. These estimated cashflows are then used to derive a Single Equivalent Discount Rate (SEDR). The discount rate derived is such that the net present value of the notional cashflows, discounted at this single rate, equates to the net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve (where the spot curve is assumed to be flat beyond the 30 year point). This is consistent with the approach used at the previous accounting date.

Similar to the approach used to derive the discount rate, the Retail Prices Index (RPI) increase assumption is set using a Single Equivalent Inflation Rate (SEIR) approach, using the notional cashflows described above. The single inflation rate derived is that which gives the same net present value of the cashflows, discounted using the annualised Merrill Lynch AA rated corporate bond yield curve, as applying the BoE implied inflation curve. As above, the Merrill Lynch AA rated corporate bond yield spot curve is assumed to be flat beyond the 30 year point and the BoE implied inflation spot curve is assumed to be flat beyond the 40 year point. This is consistent with the approach used at the previous accounting date.

As future pension increases are expected to be based on the Consumer Prices Index (CPI) rather than RPI, we have made a further assumption about CPI which is that it will be 0.35% p.a. below RPI i.e. 2.85% p.a. 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 and the duration of the Employer’s liabilities. The difference between RPI and CPI is less than assumed at the previous accounting date. This reflects the movement in market implied RPI inflation that occurred following the UK Statistics Authority’s proposal to change how RPI is calculated and subsequent announcements from the Chancellor on the issue.

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

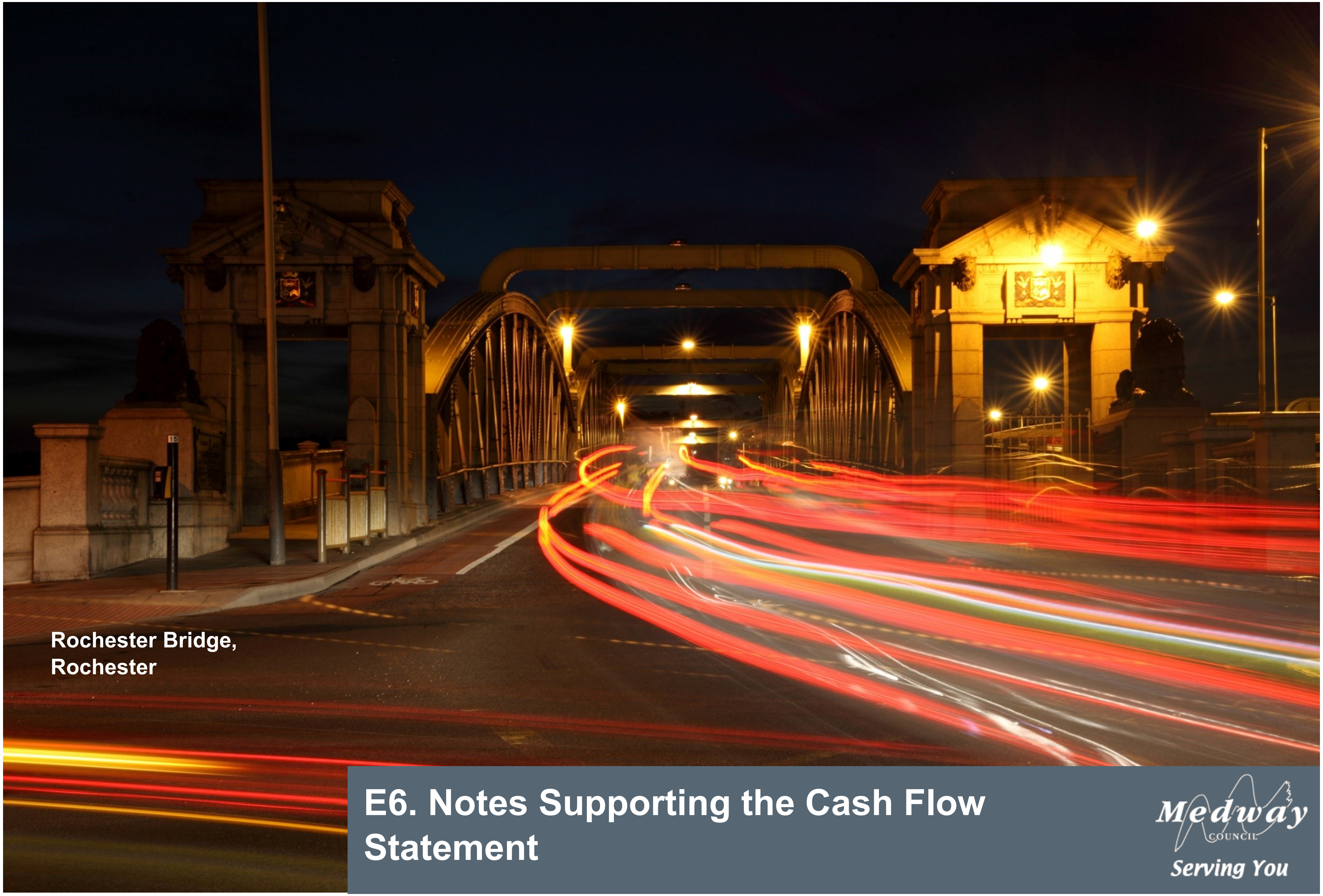
Note 37. Defined Benefit Pension Schemes (continued)

The estimation of the defined benefit obligation is sensitive to the actuarial assumptions set out in the table below. The sensitivity analysis in the following table shows how the present value and projected service cost would change if the values ascribed to various assumptions used in the actuary's calculations were there to be changes upwards or downwards by 0.1% based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Sensitivity Analysis		**31 March 2020**			**31 March 2021**		
		£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Adjustment to discount rate		**0.10%**	**0.00%**	**(0.10%)**	**0.10%**	**0.00%**	**(0.10%)**
	Present Value of Total obligation	743,252	758,356	773,782	950,095	969,469	989,258
	Projected Service Cost	21,205	21,774	22,359	33,047	34,214	35,419
Adjustment to long term salary increase		**0.10%**	**0.00%**	**(0.10%)**	**0.10%**	**0.00%**	**(0.10%)**
	Present Value of Total obligation	759,471	758,356	757,251	970,973	969,469	967,978
	Projected Service Cost	21,785	21,774	21,763	34,233	34,214	34,196
Adjustment to pension increases and deferred revaluation		**0.10%**	**0.00%**	**(0.10%)**	**0.10%**	**0.00%**	**(0.10%)**
	Present Value of Total obligation	772,713	758,356	744,284	987,569	969,469	951,726
	Projected Service Cost	22,350	21,774	21,213	35,406	34,214	33,058
Adjustment to life expectation assumption		**+ 1 Year**	**None**	**-1 Year**	**+ 1 Year**	**None**	**-1 Year**
	Present Value of Total obligation	788,122	758,356	729,778	1,012,457	969,469	928,385
	Projected Service Cost	22,443	21,774	21,124	35,638	34,214	21,124

The Authority anticipates that it will pay £12.657m expected contributions to the scheme in 2020/21.

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



Rochester Bridge, Rochester

E6. Notes Supporting the Cash Flow Statement

Medway Council

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Note 38. Cash Flow Statement – Operating Activities

The cash flows for operating activities include the following items:

	2019/20 £'000	2020/21 £'000
Interest received	(258)	(25)
Interest paid	9,319	10,525
Dividends received	(1,243)	(1,238)

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

	2019/20 £'000	2020/21 £'000
Depreciation	(27,736)	(24,347)
Impairment and downward revaluations	(14,968)	(25,879)
Increase in valuation of investments	(745)	(444)
(Increase) / decrease in creditors	(21,220)	(11,343)
Increase / (decrease) in debtors/Impairment for Bad Debts	(3,177)	31,818
Increase / (decrease) in inventories	5	25
Movement in pension liability	(21,452)	(27,508)
Contributions (to)/from Provisions	6,404	1,762
Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(11,628)	(14,358)
Other non-cash items charged to the net surplus or deficit on the provision of services	(148)	101
	(94,665)	**(70,173)**

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

	2019/20 £'000	2020/21 £'000
Proceeds from the sale of property, plant and equipment, investment property and intangible assets	4,903	5,703
Any other items for which the cash effects are investing or financing cash flows	28,866	25,162
	33,768	**30,865**

Note 39. Cash Flow Statement – Investing Activities

	2019/20 £'000	2020/21 £'000
Purchase of property, plant and equipment, investment property and intangible assets	73,635	28,895
Purchase of short-term and long-term investments	37,894	49,621
Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(4,903)	(5,703)
Proceeds from short-term and long-term investments	(48,000)	(56,100)
Other receipts from investing activities	(28,866)	(25,162)
Net cash flows from investing activities	**29,760**	**(8,449)**

Note 40. Cash Flow Statement – Financing Activities

	2019/20 £'000	2020/21 £'000
Cash receipts of short- and long-term borrowing	(108,123)	(20,334)
Repayments of short- and long-term borrowing	62,719	35,640
Net cash flows from financing activities	**(45,405)**	**15,306**

Note 41. Record of Liabilities from Financing Activities

Restated	01 April 2019 £'000	Financing cash flows £'000	Non-cash changes Acquisition £'000	Other non-cash changes £'000	31 March 2020 £'000
Long-term borrowings	211,861	55,811			267,672
Short-term borrowings	41,656	(10,407)			31,249
● Lease liabilities	63	0	0	(34)	29
Total liabilities from financing activities	**253,580**	**45,404**	**0**	**(34)**	**298,951**

	01 April 2020 £'000	Financing cash flows £'000	Non-cash changes Acquisition £'000	Other non-cash changes £'000	31 March 2021 £'000
Long-term borrowings	267,672	(25,640)			242,032
Short-term borrowings	31,249	10,334			41,583
● Lease liabilities	29	0	0	253	282
Total liabilities from financing activities	**298,950**	**(15,306)**	**0**	**253**	**283,897**

E7. Other Notes

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Note 42. Related Parties

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

Central Government

Central government has significant influence over the general operations of the Authority – it is responsible for providing the statutory framework, within which the Authority operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Authority has with other parties (e.g., council tax bills, housing benefits). Grants received from government departments are set out in "Note 11". Grant receipts outstanding at 31 March 2021 are shown in "Note 17".

Members

Members of the Council have direct control over the Council's financial and operating policies. The total of members' allowances paid in 2020/21 is shown in "Note 13".

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

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

One Councillor is Chair of Trustees of Action for Borstal an organisation which provides a range of services which offer community support, encouragement and engagement. The Council made payments to Action for Borstal of £0.070m in 2020/21 (£0.080m 19/20) of which nil was outstanding at 31 March 2021 or 31 March 2020. There had been no payments from Action for Borstal to the Council in either 2020/21 or 2019/20.

Three of the Trustees of the Dobson Trust are Councillors. The Dobson Trust exists to provide enjoyment and welfare to elderly people within the former Gillingham Borough by awarding grants. The charity provided goods/services with a value of £0.005m to Medway Council during 2020/21 all of which was outstanding at 31 March 2021. The Council provided services to the Trust during of £0.002m in 2020/21 which was still outstanding as at 31 March 2021 (£0.001m 2019/20 which was outstanding at 31 March 2020).

Sunlight Development Trust is a community owned organisation that works with partners across all Sectors. Its overriding aim is to improve health, well-being, and reduce inequality. One member is Chair of the Trustees. The Authority made payments to the Trust amounting to £0.043m during 2020/21 (2019/20 £0.100m), no payments were owed to this organisation at the end of either 2020/21 or 2019/20. Sunlight Development Trust provided no services to the Council in 2020/21 but as at 31 March 2021 owed £0.030m.

A family member of a Councillor runs a business with which the Council had transactions of £0.070m in 2020/21 (£0.057m in 2019/20) of which Nil outstanding at the 31st March 2021 (£0.006m 2019/20.)

A Councillor owns properties that are rented out. During 2020/21 the Councillor received £0.007m in payments from the Council for people occupying these properties (0.001m 19/20). There were no outstanding payments at either year end.

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

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

Seven Councillors are Trustees of Chatham Charities, a charity whose aim is to relieve poverty within the Borough of Chatham through the awarding of grants.

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

The Leader of the Council runs his own consultancy business. There were no transactions between this business and the Council in either 2020/21 or 2019/20.

A Councillor is the Chair of the Medway Volunteer Centre a registered charity which recruits volunteers on behalf of charitable, voluntary and statutory bodies who have requested assistance to find volunteers.

Note 42. Related Parties (continued)

Officers

The Chief Executive is a Council member of The University of Kent Governing Body. No transactions were made by the University to the Council in 2020/21 (£0.024m in 2019/20) with nil outstanding at 31 March 2021 (£0.013m 2019/20). Payments to the University from the Council totalled £0.255m in 2020/21 (£0.031m in 2019/20). At 31 March 2021 the University was owed nothing by the Council (31 March 2020 nil).

The Chief Executive is also a Governor of Mid Kent College. There were payments of £0.251m in 2020/21 made to Mid Kent College (£0.231m in 2019/20). Mid Kent College made no payments to the Council in 2020/21 (£0.003m in 2019/20) of which nil was outstanding at 31 March 2021 (£0.003m as at 31 March 2020).

Other Public Bodies

The Authority operates a number of joint funding initiatives with Medway Clinical Commissioning Group as detailed in "Note 12".

The Authority receives grant income from various government departments as detailed in "Note 17".

Entities controlled or significantly influenced by the Authority

The Council has a 20% equity share in the Medway Norse Ltd, a joint venture with Norse Commercial Services Ltd. The company provides catering, cleaning and facilities management services, grounds and greenspaces management and waste management services, and also manages the three household waste recycling centres. From October 2019 the company has provided waste collection and street cleansing activities. The company's accounts are consolidated into the statements of Norse Commercial Services Limited, which is consolidated into the statements of Norfolk County Council.

The Council also has a 20% equity share in Medway Norse Transport Ltd, a joint venture with Norse Commercial Services Ltd. The company provides Special Educational Needs Transport services, community transport and vehicle maintenance services to the Authority. The company's accounts are consolidated into the statements of Norse Commercial Services Limited, which is consolidated into the statements of Norfolk County Council.

Services supplied to the Medway Council through the Medway Norse Ltd and Medway Norse Transport Ltd companies are included in the Medway Council's cost of services within the statements.

Medway Council appoints 2 directors to the Boards of Medway Norse Ltd and Medway Norse Transport Ltd. The Council made payments of £25.409m to Medway Norse/Medway Norse Transport in 2020/21 (£20.553m 2019/20) and owed them £0.071m as at 31 March 2021 (£3.877m as at 31 March 2020). The total value of transactions to the Council from these companies was £0.468m in 2020/21 (£0.335m in 2019/20) and owed £0.374m as at 31 March 2021 (31 March 2020: £0.009m).

Medway Council currently has two subsidiary companies; Kyndi Limited (formerly Medway Commercial Group Limited - MCG) and Medway Development Company Limited (MDC). As at 31 March 2021, two of the four Directors on the Board of Kyndi Limited were appointed by Medway Council; both elected Cabinet Members. As at the same date, two of the four Directors on the Board of MDC were elected Cabinet Members of Medway Council.

Kyndi Limited has two subsidiary companies; Kyndi Care Limited (formerly Medway Commercial Services – MCS) established to trade with the private sector and Medway Public Services (MPS) to trade with the public sector.

The group provides: CCTV; Telecare; Out of Hours and lone worker solutions; Education Traded Services with schools including cleaning and catering, energy and ICT services and Recruitment Services to provide temporary, contract and interim staffing for Medway Council. The balance on loans given to Kyndi as at 31 March 2021 amount to £2.612m (£0.350m in 2019/20).

The Council made payments of £13.848m to Kyndi in 2020/21 (£10.520m in 2019/20) with nothing owing as at 31 March 2021 (£0.516m as at 31 March 2020). The total value of transactions to the Council from MCG was £0.688m in 2020/21 (£0.925m in 2019/20) and they owed £0.122m as at 31 March 2021 (£4.115m as at 31 March 2020).

MDC was established to provide consultancy, predominantly to the Council, to turn land assets into viable residential schemes delivering regeneration and investment returns. The Council has agreed £120million of investment over the first five years of the company with fourteen sites identified. The balance on loans given to MDC as at 31 March 2021 amount to £13.016m (£0.027m in 2019/20).

The Council made payments (excluding loans) of £0.576m to MDC in 2020/21 (£0.193m in 2019/20). MDC made purchases from the Council of £0.329m during 2020/21 (£0.035m in 2019/20) of which nothing was owing as at 31 March 202 (£0.031m as at 31 March 2020).

Note 43. Contingent Liabilities

Accounting Policy - Contingent Liabilities

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

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

There are several outstanding employment claims – one by an individual where they are seeking £175,000 and 50 claims relating to back pay in respect of term time employment contracts which if successful could cost the Council a significant sum of money.

The claim against the Council by Gillingham Football Club is ongoing although the sums being sought by them have reduced to £176,000. Application for costs in COP against Medway Council for £22,000.

Medway Council was successful in acquiring provisional approval for four new free schools including the Maritime Academy operated by The Thinking Schools Academy Trust (TSAT). The DFE fund the land purchase as well as the capital investment in the school for new free schools. A suitable site was identified and a purchase price negotiated, however the site title has an 'overage' provision which would be triggered by an onward sale of the land for residential use at any point until 2043 when the condition falls away. Upon the transfer of the land for residential purposes during that time the overage is triggered with the sum payable equal to 10% of the intended unit sales.

In March 2019 the Cabinet approved the underwriting of the overage held against the land to enable the purchase, and the delivery of the free school to go ahead. As such, should the land be sold for residential purposes by the DFE up until 2033, the local authority would be liable to cover the overage determined by land values at that time. This level of liability could increase or reduce dependent upon the land values at the time. However, this is a very small risk as the school is required to meet known and expected future demand beyond 2033. The new school will enjoy a 125 year lease on the land, showing the commitment of the DFE to the school, and it is not the intention of the Secretary of State to dispose of the property, especially within the next 14 years.

Note 44. Contingent Assets

Accounting Policy - Contingent Assets

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

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

Medway Council are pursuing a claim for costs in the sum of £20,363 against another Local Authority.

Note 45. Events after the Reporting Period

Accounting Policy - Events after the Reporting Period

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

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

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

There have been no events between 31 March 2021 and the issuing of this Statement of Accounts which have a significant bearing on the financial results year or the financial position presented in the Balance Sheet.

Note 46. Prior Period Adjustments

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

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

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

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

There are no prior period adjustments affecting the period ending 31 March 2021.

Eastgate House, Rochester

F. Supplementary Financial Statements

Medway Council

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Housing Revenue Account

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

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

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

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

Income and Expenditure Statement

This statement analyses in more detail the income and expenditure on HRA services included in the whole Authority Surplus or Deficit on the Provision of Services. This Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

The Authority charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

2019/20 £'000		HRA Notes	2020/21 £'000
	Expenditure		
2,892	Repairs & maintenance		3,077
3,403	Supervision and management		3,741
167	Rents, rates, taxes and other charges		158
10,066	Depreciation, impairment and revaluation movements of non-current assets	3	13,724
73	Revenue Expenditure Funded from Capital Under Statute	4	45
63	Debt management costs		63
88	Movement in the allowance for bad debts	6	36
16,752	**Total Expenditure**		**20,844**
	Income		
(12,775)	Dwelling rents		(12,673)
(215)	Non-dwelling rents		(223)
(1,248)	Charges for services and facilities		(1,084)
(29)	Contributions towards expenditure		(33)
(72)	Reimbursement of Costs		(1)
(14,339)	**Total Income**		**(14,014)**
2,413	**Net Cost of Housing Revenue Account Services as included in the whole authority Comprehensive Income and Expenditure Statement**		**6,830**
99	HRA services share of Corporate and Democratic Core		99
2,512	**Net Expenditure/(Income) for Housing Revenue Account Services**		**6,929**
	HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:		
(745)	(Gain) or loss on sale of HRA non-current assets		(153)
2,063	Interest payable and similar charges		2,064
(68)	Interest and investment income		(62)
159	Net interest on the net defined benefit liability (asset)		105
3,921	**Deficit/(Surplus) for the year on Housing Revenue Account Services**		**8,883**

Medway Council
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Movement on the Housing Revenue Account Statement

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

2019/20 £'000		2020/21 £'000
(5,114)	**Balance on the HRA at the end of the previous reporting period**	**(5,145)**
3,921	(Surplus) or deficit for the year on the HRA Income and Expenditure Statement	8,883
	Adjustment to HRA Income and Expenditure Statement Relating to Recharge Adjustments	109
(4,508)	Adjustments between accounting basis and funding basis under statute (HRA Note 1)	(7,947)
(587)	**Net (increase) or decrease before transfers to or from reserves**	**1,045**
(220)	Transfers to or (from) Earmarked HRA reserves	(1,410)
0	Transfers to or (from) GF reserves	115
(807)	**(Increase) or decrease in year on the HRA**	**(250)**
627	Contribution towards Capital from Reserves	
(5,294)	**Balance on the HRA at the end of the current reporting period**	**(5,395)**

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

2019/20 £'000		2020/21 £'000
	ADJUSTMENTS PRIMARILY AFFECTING THE CAPITAL ADJUSTMENT ACCOUNT:	
(3,724)	Charges for depreciation and impairment of non-current assets	(3,698)
(6,342)	Revaluation movements on Property, Plant and Equipment	(10,026)
(73)	Revenue Expenditure Funded from Capital Under Statue	(45)
(1,040)	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	(218)
	INSERTION OF ITEMS NOT DEBITED OR CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:	
1,493	Capital Expenditure charged Against HRA Balances	2,400
	ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE:	
1,785	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement	371
	ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:	
3,724	Transfer from HRA to the Major Repairs Reserve	3,698
	ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT:	
0	Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	0
	ADJUSTMENTS PRIMARLY INVOLVING THE PENSIONS RESERVE:	
(521)	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement	(621)
190	Employer's pension contributions and direct payments to pensioners payable in the year	196
	ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:	
0	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	(5)
(4,508)	**TOTAL ADJUSTMENTS**	**(7,947)**

HRA Note 2. Stock

Rentable Dwelling Stock

The Council managed 3,005 rentable dwellings as at 31 March 2021. The movement in stock is analysed as follows:

Stock Type	1 April 2020	Adjustments	Additions	Disposals	31 March 2021
Houses	1,249	0	0	(2)	1,247
Flats	1,241	(1)	18	(2)	1,256
Maisonettes	213	0	0	0	213
Bungalows	289	0	0	0	289
Total	**2,992**	**(1)**	**18**	**(4)**	**3,005**

Non-Rentable Dwelling Stock

The Council own one non-rentable dwelling as at 31 March 2021.

Stock Type	1 April 2020	Adjustments	Additions	Disposals	31 March 2021
Flats	1	(1)	0	0	0
Total	**1**	**(1)**	**0**	**0**	**0**

Non-Dwelling Stock

The Council owned 881 non dwellings as at 31 March 2021. The movement in stock is analysed as follows:

Stock Type	1 April 2020	Adjustments	Additions	Disposals	31 March 2021
Garages	381	0	1	0	382
Garages with water	185	0	3	0	188
Carports	78	0	0	0	78
Car spaces	194	0	13	0	207
Underground car spaces	26	0	0	0	26
Total	**864**	**0**	**17**	**0**	**881**

HRA Note 3. Non-Current Assets

In accordance with Government guidelines, dwellings have been valued at their 'existing use with vacant possession' based on beacon values and then reduced to reflect 'existing use for social housing'. This value is included within the Balance Sheet. The vacant possession value at 1 April 2020 was £489.09m. The 'discounted' existing use value reflects the economic cost to government of providing council housing at less than market rents.

Movements on Balances 2020/21	**Dwellings**	**Other Land and Buildings**	**Assets Under Construction**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Cost or valuation 1 April 2020	161,402	3,931	236	165,569
Additions	7,230	13	319	7,562
Revaluation increases/(decreases) recognised in the Revaluation Reserve	711	281	0	992
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(12,938)	(207)	0	(13,145)
Derecognition – disposals	(222)	0	0	(222)
Other movements in cost or valuation	0	0	0	0
Cost or valuation as at 31 March 2021	**156,182**	**4,019**	**555**	**160,755**
Depreciation as at 1 April 2020	0	0	0	0
Depreciation charge	(3,423)	(275)	0	(3,698)
Depreciation written out to the Revaluation Reserve	310	262	0	571
Depreciation written out to the Surplus//Deficit on the Provision of Services	3,108	11	0	3,119
Derecognition – disposals	5	0	0	5
Depreciation as at 31 March 2021	**0**	**(3)**	**0**	**(3)**
Net Book Value				
As at 31 March 2020	161,402	3,931	236	165,569
As at 31 March 2021	156,182	4,016	555	160,753

HRA Note 3. Non-Current Assets (continued)

Movements on Balances 2019/20	Dwellings £'000	Other Land and Buildings £'000	Assets Under Construction £'000	Total £'000
Cost or Valuation 1 April 2019	167,074	3,934	169	171,176
Assets Under Construction brought into use	1,000	0	(1,000)	0
Additions	4,446	17	1,067	5,529
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(713)	(15)	0	(728)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(9,343)	(1)	0	(9,344)
Derecognition – disposals	(1,061)	0	0	(1,061)
Other movements in cost or valuation	0	(2)	0	(2)
Cost or valuation as at 31 March 2020	**161,402**	**3,931**	**236**	**165,570**
Depreciation as at 1 April 2019	0	(3)	0	(3)
Depreciation charge	(3,449)	(275)	0	(3,724)
Depreciation written out to the Revaluation Reserve	437	263	0	700
Depreciation written out to the Surplus//Deficit on the Provision of Services	2,991	11	0	3,002
Derecognition – disposals	21	0	0	21
Other movements in depreciation and impairment	0	0	0	0
Depreciation as at 31 March 2020	**0**	**0**	**0**	**4**
Net Book Value				
As at 31 March 2019	167,074	3,931	169	171,173
As at 31 March 2020	161,402	3,931	236	165,570

HRA Note 4. Analysis of Capital Expenditure and Funding

	2019/20 £'000	2020/21 £'000
Capital Expenditure		
Dwellings	5,280	7,244
Other Land and Buildings	12	(1)
Assets under Construction	236	319
Revenue Expenditure Funded from Capital under Statute	73	45
Total	**5,602**	**7,607**
Funded by:		
Major Repairs Reserve	3,824	3,698
Transfer from 1-4-1 Capital Receipts Reserves	244	1,182
Prudential Borrowing for New House Build Programme	0	327
Buy Back Allowance	41	0
Revenue contributions from the HRA	1,493	2,400
Total Funding	**5,602**	**7,607**

The Revenue Expenditure Funded from Capital under Statute relates to:

	2019/20 £'000	2020/21 £'000
Expenditure type:		
Non HRA Properties/Leaseholders Expenditure	73	45
Total	**73**	**45**

HRA Note 5. Summary of Capital Receipts

	2019/20 £'000	2020/21 £'000
Receipts from the sale of land	(12)	0
Receipts from disposals of houses through the Right To Buy scheme	(1,835)	(386)
Total Capital Receipts	**(1,847)**	**(386)**

HRA Note 6. Tenants Arrears

Tenants' Arrears at 1 April 2021 (27 March 2020 for 2019/20) were analysed as follows:

Type of Debt	2019/20 £'000	2020/21 £'000
General Stock	184	166
Garages	1	0
Former Tenancies – General Stock	232	177
Court Costs – General Stock	48	36
Former Tenancy Arrears of Current Tenants – General	33	30
Rechargeable Repairs	53	47
Total Arrears	551	456
Percentage of Gross Rents (HRA)	**4.09%**	**3.24%**

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

	2019/20 £'000	2020/21 £'000
Opening Balance	**473**	**447**
Additional Provision made during year	88	36
Add Credit write-offs	4	10
Less amounts written off	(118)	(131)
Closing Balance	**447**	**362**

Collection Fund Statement

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

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Medway, the Council Tax precepting bodies are The Police and Crime Commissioner for Kent and The Kent Fire and Rescue Service.

The scheme allows the Authority to retain a proportion of the total NDR received. The Medway share is 49% with the remainder paid to precepting bodies. For Medway precepting bodies this is Central Government 50%, Kent Fire and Rescue Service 1%.

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

Collection Fund Statement

Year Ended 31 March 2020 Business Rates £'000	Council Tax £'000	Total £'000		Collection Fund Notes	Year Ended 31 March 2021 Business Rates £'000	Council Tax £'000	Total £'000
			Amounts required by statute to be credited to the Collection Fund				
	(146,186)	(146,186)	Council Tax	1		(153,819)	(153,819)
(95,621)		(95,621)	Non-Domestic Rates	2	(58,911)		(58,911)
(95,621)	**(146,186)**	**(241,807)**	**Total Amount required by statute to be credited to the Collection Fund**		(58,911)	(153,819)	**(212,730)**
			Amounts required by statute to be debited to the Collection Fund				
			Precepts and demands from major preceptors and the Authority				
44,015	120,130	164,145	- Medway Council		44,804	128,270	173,074
0	16,328	16,328	- Police and Crime Commissioner for Kent (PCCK)		0	17,633	17,633
898	6,573	7,471	- Kent Fire and Rescue Service (KFRS)		914	6,882	7,796
			Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to central government by billing authorities				
			Business rates:				
44,914	0	44,914	- payment to Central Government		45,719	0	45,719
267	0	267	- costs of collection		266	0	266
238	0	238	renewable energy		63	0	63
5,314	0	5,314	- transitional protection		1,837	0	1,837
			Impairment of debts/appeals	3			
0	25	25	- write-offs of uncollectable amounts			7,911	7,911
915		915	- allowance for impairment		1,943		1,943
(1,260)	0	(1,260)	- increase/decrease in provision for appeals		(1,779)	0	(1,779)
(2,873)	1,838	(1,035)	Transfer of Collection Fund surplus/(deficit)		2,573	3,868	6,441
92,428	**144,894**	**237,322**	**Total Amount required by statute to be debited to the Collection Fund**		**96,340**	**164,564**	**260,904**
3,949	**(3,747)**	**202**	**Opening fund balance**		**756**	**(5,039)**	**(4,283)**
756	**(5,039)**	**(4,283)**	**Closing Fund Balance**		**38,185**	**5,706**	**43,891**
(3,193)	**(1,292)**	**(4,485)**	**Movement on fund balance**		**37,429**	**10,745**	**48,174**
			Allocation of Closing Deficit/(Surplus)				
908	(4,232)	(3,324)	Medway Council		18,711	4,790	23,501
0	(577)	(577)	Police and Crime Commissioner for Kent		0	659	659
7	(230)	(223)	Kent Fire and Rescue Service		382	257	639
(159)	0	(159)	Central Government		19,092	0	19,092
756	**(5,039)**	**(4,283)**			**38,185**	**5,706**	**43,891**

Collection Fund Note 1. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified in 8 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and major preceptors for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of band D dwellings).

The Council Tax Base for 2020/21 was £86,796.90 (£84,533.23 in 2019/20). The tax base for 2020/21 was approved by the Portfolio Holder for Finance on 15 January 2020 and was calculated as follows:

Band	Chargeable Dwellings	Ratio 9ths	Band D Equivalent Gross	Exemptions & Discounts	Band D Equivalent Net
A	11,376	6	7,584	507	7,077.33
B	38,343	7	29,822	1,924	27,898.58
C	34,099	8	30,310	2,105	28,205.72
D	17,768	9	17,768	1,126	16,642.22
E	9,286	11	11,350	735	10,615.03
F	3,995	13	5,771	268	5,502.57
G	1,428	15	2,380	81	2,298.93
H	65	18	130	44	85.93
Total	**116,360**		**105,115**	**6,790**	**98,326.31**
Council Tax Support					(9,679.60)
Sub Total					88,646.71
Allowance for Non Collection (2.4%)					(2,127.51)
Sub Total					86,519.20
Crown Contribution					277.70
Tax Base for the Calculation of Council Tax 2020/21					**86,796.90**
Tax Base for the Calculation of Council Tax 2019/20					**84,533.23**

Collection Fund Note 2. Income from Business Rates

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. The total amount due, less certain allowances, is shared between the Council, Central Government and Kent Fire and Rescue Service. In the case of Medway the local share is 49%, Central Government 50% and Kent Fire and Rescue service 1%.

The total income from business ratepayers collected in 2020/21 was £58.9m (£95.6m in 2019/20).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as determined by VOA and hence business rates outstanding at 31 March 2021. Authorities are required to make provision for these amounts. Appeals are charges and provided for in proportion to the precepting shares. The reduction in provision credited to the collection fund for 2020/21 was £1.78m (£1.26m 2019/20).

For 2020/21 the total non-domestic rateable value at the year-end is £229.6m (£230.4m in 2019/20). The national multipliers for 2020/21 were 49.9p for qualifying Small Businesses, and the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

Collection Fund Note 3. Impairment of Debts/Appeals

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

2019/20 £000s Collection Fund	2019/20 £000s Medway Share		2020/21 £000s Collection Fund	2020/21 £000s Medway Share
3,211	**2,697**	**Balance at 1 April**	**2,540**	**2,132**
(695)	(585)	Write-offs during year	(612)	(514)
24	20	Contributions to provisions during year	7,911	6,632
(671)	**(565)**	**Net Increase/(decrease) in Provisions**	**7,299**	**6,118**
2,540	**2,132**	**Balance at 31 March**	**9,839**	**8,250**

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

2019/20 £000s Collection Fund	2019/20 £000s Medway Share		2020/21 £000s Collection Fund	2020/21 £000s Medway Share
2,418	**2,394**	**Balance at 1 April**	**2,654**	**1,301**
0	**(1,199)**	Amendment due to Pooling	**0**	**0**
(679)	(342)	Write-offs during year	(720)	(353)
915	448	Contributions to provisions during year	1,943	952
236	**(1,093)**	**Net Increase/decrease in Provisions**	**1,223**	**599**
2,654	**1,301**	**Balance at 31 March**	**3,877**	**1,900**

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2021. This is the eighth year of the provision.

2019/20 £000s Collection Fund	2019/20 £000s Medway Share		2020/21 £000s Collection Fund	2020/21 £000s Medway Share
13,160	**13,028**	**Balance at 1 April**	**11,900**	**5,831**
0	**(6,580)**	Amendment due to Pooling	**0**	**0**
264	129	Contributions to provisions during year	3,651	1,789
(1,524)	(746)	Provisions utilised during the year	(5,430)	(2,661)
(1,260)	**(7,197)**	**Net Increase/(decrease) in Provisions**	**(1,779)**	**(872)**
11,900	**5,831**	**Balance at 31 March**	**10,121**	**4,959**

G. Group Accounts

Medway Council
Serving You

Introduction

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

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

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

The following pages include:

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

Basis of Identification of the Group Boundary

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

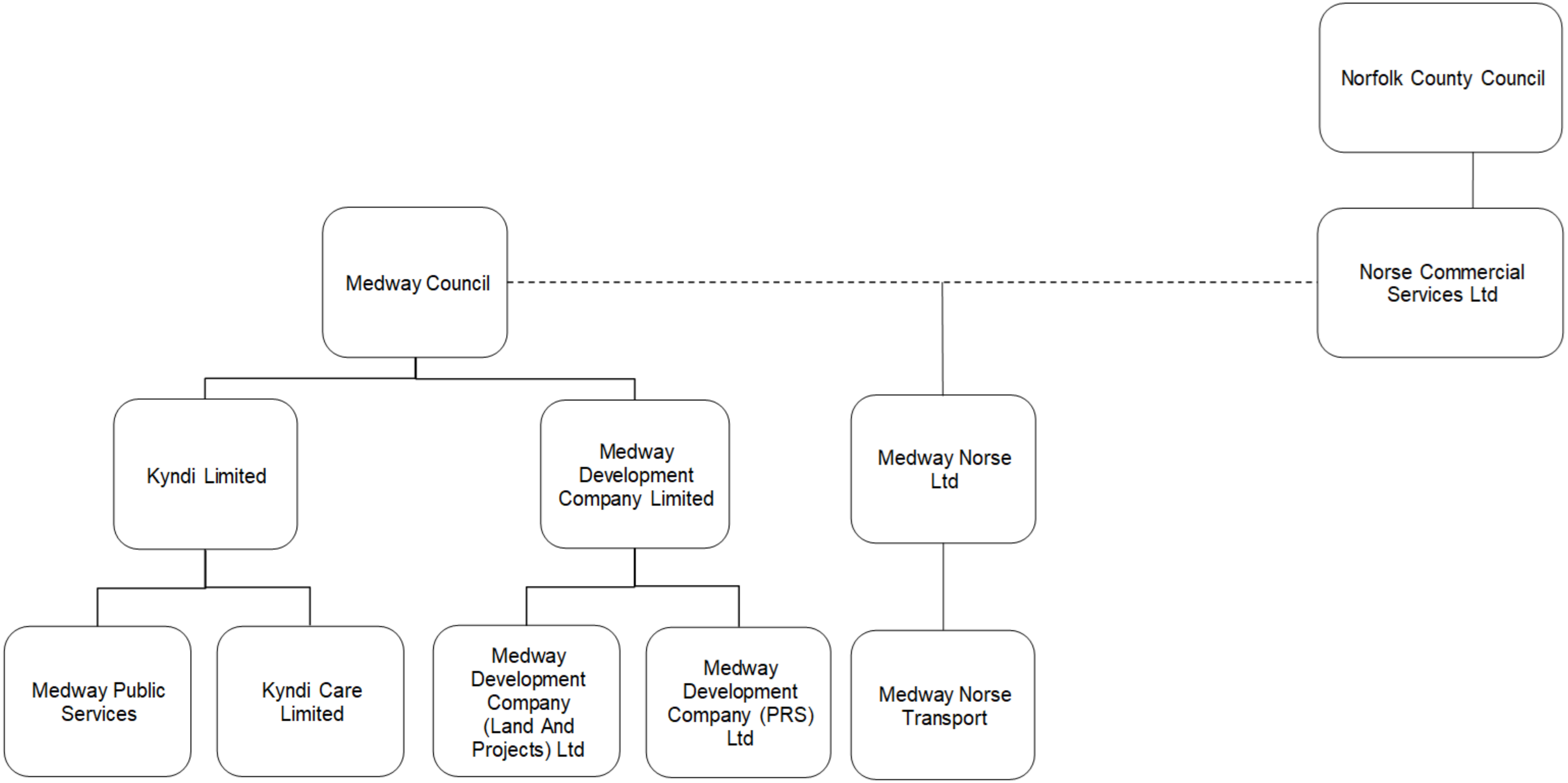
In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

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

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

Kyndi Ltd	100% Subsidiary	Consolidated
Medway Development Company Ltd	100% Subsidiary	Consolidated
Medway Norse Ltd	Joint Venture	Included in the Single entity accounts

Introduction (continued)



Introduction (continued)

Subsidiaries

Kyndi Limited (09923387)

Kyndi Limited is a company limited by shares and wholly owned by Medway Council. It was incorporated on 21 December 2015.

Kyndi Limited (formerly Medway Commercial Group (MCG) operates as a Local Authority Trading Company (LATCO) that is owned by Medway Council (single shareholder). It operates in four business areas of activity, those being CCTV, Telecare Services, Education Services and Recruitment on a commercial basis that returns a management fee to Medway Council. The business areas are split between Medway Public Services Limited (10041989) and Kyndi Care Limited (formerly Medway Commercial Services (MCS)) (10040313).

In January 2021 the business exited from the provision of Education Services. At the same time, the business agreed a substantial £2.5m Working Capital Loan with Medway Council to be repaid over 10 years, and new group fee charging arrangements that will provide stability of Kyndi Limited's operations into the future, supporting the management team as it builds out the new strategy agreed in the last financial year.

Medway Development Company Limited (11028452)

Medway Development Company Limited is a company limited by shares and wholly owned by Medway Council. It was incorporated on 24 October 2017.

Medway Development Company Limited operates as a Local Authority Trading Company (LATCO) that is owned by Medway Council (single shareholder). It operates in four business areas of activity, those being buying and selling of own real estate, other letting and operating of own or leased real estate, real estate agencies, and management of real estate on a fee or contract basis. The business areas are split between Medway Development Company (Land and Projects) Ltd (12995131) and Medway Development Company PRS) Ltd (12995315).

Basis of the Preparation of Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council's group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

- adding like items of assets, liabilities, reserves, income and expenses together on a line-by-line basis to those of other group members in the financial statements; and
- eliminating intra-group balances and transactions in full.

Joint Ventures have been consolidated using the equity method by:

- adjusting the investment originally recognised at cost for the company's post-acquisition change in its share of the net assets of the investee;
- including the company's share of profits and losses in its Comprehensive Income and Expenditure Statement.

Group Accounting Policies

The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Medway Council as set out in the notes relating to specific financial statement lines and the general accounting policies can be found at Note 1 to the single entity Accounts.

Going Concern

The accounts have been prepared on the assumption that the Council will continue in existence for the foreseeable future.

Material issues impacting subsidiaries,

MDC have a Loan from Medway Council which at the end of 21/22 was £34.5 mil, and in Sept 22 £53.4mil, Repayments are due as the buildings are sold.

With Kyndi the recruitment element of their income was brought back into Medway Council. This element is the largest of both income and expenditure but this only created 6% Gross Profit, when the overall figure is 17% suggesting the other areas are more profitable long term.

Introduction (continued)

Inventory

This is due to be sold once completed. This is measured at the lower of cost and estimated selling price less costs to complete and sell.

Cost includes all costs of purchases, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

MDC classifies the building work in progress as stock. These are to be sold once completed.

Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

Year ended 31 March 2020				Year ended 31 March 2021		
Gross Expenditure £'000	**Gross Income £'000**	**Net Expenditure £'000**	**Service**	**Gross Expenditure £'000**	**Gross Income £'000**	**Net Expenditure £'000**
97,170	(88,905)	8,265	Business Support Department	108,941	(82,088)	26,853
278,119	(147,376)	130,743	Children's and Adults (inc. Public Health)	322,038	(158,794)	163,244
18,164	(15,881)	2,283	Local authority housing (HRA)	22,206	(15,585)	6,621
128,285	(38,762)	89,523	Regeneration, Culture & Environment	114,739	(24,220)	90,518
521,738	**(290,923)**	**230,814**	**Group Cost of Services**	**567,923**	**(280,687)**	**287,236**
11,881	0	11,881	Other operating expenditure	10,426	0	10,426
0	0	0	Net Surplus on trading accounts	0	0	0
19,481	(4,509)	14,972	Financing and investment income and expenditure	19,633	(3,956)	15,677
8	(215,468)	(215,468)	Taxation and non-specific grant income and expenditure	0	(242,641)	(242,641)
0	0	0	- S31 75% Tax Income Guarantee and Business Rate Relief compensation grants	0	(16,688)	(16,688)
553,100	**(510,900)**	**42,200**	**(Surplus) or Deficit on Provision of Services**	**597,981**	**(543,971)**	**54,010**
		(399)	Share of (surplus)/Deficit of joint venture.			(385)
		0	Taxation of Group Entities			0
		41,801	**Group (Surplus)/Deficit**			**53,625**
		(46,241)	Surplus on revaluation of property, plant and equipment assets			(26,559)
		33,874	Revaluation losses on non-current assets charged to the Revaluation Reserve			21,675
		(17,418)	Re-measurement of net defined pension liability/(asset)			42,063
		(29,785)	**Other Comprehensive Income and Expenditure**			**37,179**
		12,016	**Total Comprehensive Income and Expenditure**			**90,804**

Group Movement in Reserves Statement

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

2020/21	Revenue Reserves							Capital Reserves							
	General fund balance £000	Earmarked General Fund Reserves £000	Dedicated Schools Grant Reserve £000	Total General Fund Balance £000	Housing Revenue Account balance £000	Earmarked Housing Revenue Account Reserves £000	Total Housing Revenue Account £000	Capital receipts reserve £000	Major repairs reserve £000	Capital Grants unapplied accounts £000	Total Usable reserves £000	Unusable reserves £000	Total Authority reserves £000	Authorities share of reserves or subsidiaries. Associated and joint ventures £000	Total reserves £000
Balance at 31 March 2020	**(13,924)**	**(21,532)**	**9,345**	**(26,111)**	**(5,145)**	**(1,601)**	**(6,746)**	**(5,463)**	**0**	**(18,764)**	**(57,084)**	**(170,326)**	**(227,409)**	**2,072**	**(225,337)**
Reporting of schools budget deficit to new adjustment account at 1 April 2020	0	0	(9,346)	(9,346)	0	0	0	0	0	0	(9,346)	9,346	0	0	0
Restated Balance at 1 April 2020	**(13,924)**	**(21,532)**	**(0)**	**(35,457)**	**(5,145)**	**(1,601)**	**(6,746)**	**(5,463)**	**0**	**(18,764)**	**(66,429)**	**(160,980)**	**(227,409)**	**2,072**	**(225,337)**
Movement in reserves during 2020/21															
Comprehensive Expenditure and Income	33,079	0	0	33,079	8,992	0	8,992	0	0	0	42,071	37,179	79,250	11,554	90,804
Adjustments between group account and authority accounts	12,124	0	0	12,124	0	0	0	0	0	0	0	0	0	(12,124)	0
Net increase or decrease before transfers	**45,203**	**0**	**0**	**45,203**	**8,992**	**0**	**8,992**	**0**	**0**	**0**	**54,195**	**37,179**	**91,374**	**(570)**	**90,804**
Adjustments between accounting basis and funding basis under regulations	(89,834)	0	0	(89,834)	(7,947)	0	(7,947)	(1,210)	0	(7,152)	(106,144)	106,144	0	0	0
Net (increase)/decrease before transfers to Earmarked Reserves	**(44,631)**	**0**	**0**	**(44,631)**	**1,045**	**0**	**1,045**	**(1,210)**	**0**	**(7,152)**	**(51,949)**	**143,323**	**91,374**	**(570)**	**90,804**
Movements in Earmarked Reserves	35,866	(35,866)	0	0	(1,295)	1,295	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in 2020/21	**(8,765)**	**(35,866)**	**0**	**(44,631)**	**(250)**	**1,295**	**1,045**	**(1,210)**	**0**	**(7,152)**	**(51,949)**	**143,323**	**91,374**	**(570)**	**90,804**
Balance at 31 March 2021 carried forward	**(22,689)**	**(57,398)**	**(0)**	**(80,088)**	**(5,395)**	**(306)**	**(5,701)**	**(6,674)**	**0**	**(25,916)**	**(118,378)**	**(17,657)**	**(136,035)**	**1,502**	**(134,533)**

Group Movement in Reserves Statement (continued)

2019/20	Revenue Reserves							Capital Reserves							
	General fund balance £000	Earmarked General Fund Reserves £000	Dedicated Schools Grant Reserve £000	Total General Fund Balance £000	Housing Revenue Account balance £000	Earmarked Housing Revenue Account Reserves £000	Total Housing Revenue Account £000	Capital receipts reserve £000	Major repairs reserve £000	Capital Grants unapplied accounts £000	Total Usable reserves £000	Unusable reserves £000	Total Authority reserves £000	Authorities share of reserves or subsidiaries. Associated and joint ventures £000	Total reserves £000
Balance at 31 March 2019	**(9,039)**	**(17,126)**	**4,139**	**(22,027)**	**(5,114)**	**(1,194)**	**(6,308)**	**(1,110)**	**(100)**	**(10,988)**	**(40,532)**	**(198,716)**	**(239,248)**	**1,895**	**(237,353)**
Reporting of schools budget deficit to new adjustment account at 1 April 2019	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Restated Balance at 1 April 2019	**(9,039)**	**(17,126)**	**4,139**	**(22,027)**	**(5,114)**	**(1,194)**	**(6,308)**	**(1,110)**	**(100)**	**(10,988)**	**(40,532)**	**(198,716)**	**(239,248)**	**1,895**	**(237,353)**
Movement in reserves during 2019/20															
Comprehensive Expenditure and Income	24,625	0	0	24,625	4,070	0	4,070	0	0	0	28,695	(29,785)	(1,090)	13,106	12,016
Adjustments between group account and authority accounts	12,929	0	0	12,929	0	0	0	0	0	0	0	0	0	(12,929)	0
Net increase or decrease before transfers	**37,554**	**0**	**0**	**37,554**	**4,070**	**0**	**4,070**	**0**	**0**	**0**	**41,624**	**(29,785)**	**11,839**	**177**	**12,016**
Adjustments between accounting basis and funding basis under regulations	(41,638)	0	0	(41,638)	(4,508)	0	(4,508)	(4,354)	100	(7,776)	(58,176)	58,175	0	0	0
Net (increase) /decrease before transfers to Earmarked Reserves	**(4,084)**	**0**	**0**	**(4,084)**	**(438)**	**0**	**(438)**	**(4,354)**	**100**	**(7,776)**	**(16,552)**	**28,390**	**11,839**	**177**	**12,016**
Movements in Earmarked Reserves	(801)	(4,406)	5,207	0	407	(407)	0	0	0	0	0	0	0	0	0
(Increase)/Decrease in 2021/20	**(4,885)**	**(4,406)**	**5,207**	**(4,084)**	**(31)**	**(407)**	**(438)**	**(4,354)**	**100**	**(7,776)**	**(16,552)**	**28,390**	**11,839**	**177**	**12,016**
Balance at 31 March 2020 carried forward	**(13,924)**	**(21,532)**	**9,346**	**(26,111)**	**(5,145)**	**(1,601)**	**(6,746)**	**(5,463)**	**0**	**(18,764)**	**(57,084)**	**(170,326)**	**(227,409)**	**2,072**	**(225,337)**

Medway Council
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Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2021. The net assets of the Group are matched by Group reserves.

Balance Sheet Summary	**31 March 2021 £'000**	**31 March 2020 £'000**
Property Plant & Equipment	673,587	690,148
Heritage Assets	18,223	17,859
Investment Property	17,219	17,119
Intangible Assets	563	1,082
Assets Held for Sale > 1 Year	0	0
Long Term Investments	21,535	21,978
Long Term Debtors	1,268	2,406
Long Term Assets	732,395	**750,592**
Assets Held for Sale <1 Year	18,392	32,779
Inventories	11,998	88
Short Term Investments	490	6,969
Short Term Debtors	88,917	66,391
Cash and Cash Equivalents	27,154	41,441
Current Assets	146,951	**147,668**
Cash and Cash Equivalents	(7,672)	(1,882)
Grants Receipts in Advance - Revenue	(553)	(5,762)
Short Term Borrowing	(48,183)	(36,250)
Short Term Creditors	(74,072)	(55,597)
Finance Leases < 1 Year	(276)	(17)
Provisions (Short Term)	(1,930)	(2,541)
Current Liabilities	(132,686)	**(102,049)**
Long Term Creditors	(30,795)	(31,992)
Provisions (Long Term)	(5,806)	(6,957)
Long Term Borrowing	(235,433)	(262,672)
Other Long Term Liabilities	(336,097)	(267,045)
Grants Receipts in Advance - Revenue	0	0
Grants Receipts in Advance - Capital	(3,997)	(2,207)
Long Term Liabilities	(612,128)	**(570,873)**
Net Assets	134,532	**225,338**
Usable Reserves	(116,875)	(55,012)
Unusable Reserves	(17,657)	(170,326)
Total Reserves	(134,532)	**(225,338)**

Group Cash Flow Statement

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

2019/20 £'000		Notes	2020/21 £'000
41,801	Net (Surplus) or deficit on the provision of services		53,571
(94,798)	Adjustments to net Surplus or deficit on the provision of service for non-cash movements	G6	(71,225)
33,768	Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities	G6	30,865
(19,230)	**Net cash flows from Operating Activities**		**13,211**
29,760	Investing Activities	G7	(8,442)
(45,405)	Financing Activities	G8	15,306
(34,875)	**Net (increase) or decrease in cash and cash equivalents**		**20,075**
4,686	**Cash and cash equivalents at the beginning of the reporting period**		**39,559**
39,560	**Cash and cash equivalents at the end of the reporting period**		**19,484**

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

Group Accounts Note 1. Critical Judgements

All the critical judgements and estimation uncertainties disclosed in the Council's single entity accounts is materially applicable to the group entity. The critical judgements can be found in Note 3 on page xx and estimation uncertainties can be found in Note 5 on page xx of the single entity accounts.

Use of unaudited accounts for Group Accounts consolidation

The company accounts relating to Medway Development Company Ltd used for the Group Accounts consolidation is based on their unaudited accounts. This is due to the entity gaining exemption from audit under section 477 of the Companies Act relating to small companies Consideration has been given whether the audited accounts would be materially different, and the conclusion is that the risk is low.

Consideration of IFRS 15 - Revenue from Contracts with Customers

The subsidiary companies compile their accounts based on FRS102 which is similar to International Financial Reporting Standards (IFRS) but not all of the latest IFRS standards have been adopted into FRS102. to understand the differences in the accounting policies between Medway Council and the individual companies a questionnaire was issued.

No issues were identified in relation to IFRS 15. The companies recognise revenue from contracts in accordance with the underlying contract and this will be either be overtime or at a point in time which is not dissimilar to IFRS 15 requirements.

Elimination of Income and Expenditure

Income and expenditure between Medway Council and the subsidiary companies is eliminated through a matching process on transaction by transaction basis. This applies to all transactions except those between Schools and the subsidiary companies where the balances provided by the subsidiary companies is used for the elimination.

A transaction by transaction matching process for schools is not possible as only schools balances are consolidated in the Council's single entity accounts. The risk of material unmatched items is assessed to be low.

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Group Accounts Note 2. Group Debtors

31 March 2020 Long-Term £'000	31 March 2020 Short-Term £'000	31 March 2020 Total £'000		31 March 2021 Long-Term £'000	31 March 2021 Short-Term £'000	31 March 2021 Total £'000
973	*40,497*	*41,470*	Trade receivables	720	52,087	52,806
0	*(3,444)*	*(3,444)*	Less impairment allowance	0	(9,100)	(9,100)
973	**37,053**	**38,026**	**Net trade receivables**	**720**	**42,987**	**43,707**
0	**2,770**	**2,770**	**Prepayments**	0	2,694	2,694
			Other receivables:			
0	31	31	Client Financial Affairs Debtors	0	31	31
1,420	0	1,420	Education Related Debtors	530	0	530
0	6	6	Elections Debtors	0	6	6
0	*11,280*	*11,280*	Housing Benefit Debtors	0	10,713	10,713
0	*(8,567)*	*(8,567)*	Less impairment allowance	0	(7,955)	(7,955)
0	2,713	2,713	Net Housing Benefit Debtors	0	2,758	2,758
0	*1,025*	*1,025*	HRA Rent/Service Charge Debtors	0	1,060	1,060
0	*(447)*	*(447)*	Less impairment allowance	0	(362)	(362)
0	578	578	Net HRA Rent/Service Charge Debtors	0	698	698
0	*22,377*	*22,377*	Local Taxation Debtors	0	45,453	45,453
0	*(3,433)*	*(3,433)*	Less impairment allowance	0	(10,149)	(10,149)
0	18,944	18,944	Net Local Taxation Debtors	0	35,304	35,304
0	386	386	Rechargeable Works Debtors	0	220	220
0	30	30	Schools Debtors	0	1,051	1,051
0	5	5	SOCH Mortgage Debtors	0	5	5
13	15	28	Employee Related Debtors	17	38	55
0	4,144	4,144	VAT Debtors	0	3,129	3,129
1,433	**26,852**	**28,285**	**Other receivables**	**547**	**43,240**	**43,787**
2,406	**66,675**	**69,081**	**Total Debtors**	**1,267**	**88,921**	**90,187**

The table provides details of amounts owed to the Group at the end of the year. Debtors included within the Group Accounts exclude any amounts owed within the Group.

Group Accounts Note 3. Group Creditors

The table provides details of amounts owed by the Group to creditors at the end of the year. Creditors included within the Group Accounts exclude any amounts owed within the Group.

31 March 2020 Long-Term £'000	31 March 2020 Short-Term £'000	31 March 2020 Total £'000		31 March 2021 Long-Term £'000	31 March 2021 Short-Term £'000	31 March 2021 Total £'000
(626)	(38,907)	(39,533)	Trade payables	(674)	(49,851)	(50,525)
0	(1,147)	(1,147)	Receipts in Advance	0	(745)	(745)
			Other payables			
0	0	0	Other Payables	0	(799)	(799)
0	0	0	Education Related Creditors	0	0	0
(6)	(1,694)	(1,700)	Employee Related Creditors	0	(2,210)	(2,210)
0	(549)	(549)	HRA Rent/Service Charge Creditors	0	(573)	(573)
(31,360)	(1,307)	(32,667)	Local Government Reorganisation Creditors	(30,105)	(1,255)	(31,360)
0	(11,991)	(11,991)	Local Taxation Creditors	0	(18,558)	(18,558)
0	(2)	(2)	Rechargeable Works Creditors	0	0	0
0	0	0	SOCH Mortgage Creditors	(16)	0	(16)
0	0	0	VAT Creditors	0	(80)	(80)
(31,992)	**(55,597)**	**(87,589)**	**Total Creditors**	**(30,795)**	**(74,072)**	**(104,867)**

Group Accounts Note 4. Group Cash & Cash Equivalents

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

	31 March 2021 £'000	31 March 2020 £'000
Single Entity Cash and Cash Equivalents	19	38,682
Subsidiary cash and bank balances	2,548	872
Short term deposits with the Money Market	16,917	6
Total Group Cash and Cash Equivalents	**19,484**	**39,560**

Group Accounts Note 5. Group Financial Instruments

Categories of Financial Instruments

The following categories of financial instruments are carried in the Group Balance Sheet:

Financial Assets

	Non-Current Investments 31 March 2020 £'000	31 March 2021 £'000	Debtors 31 March 2020 £'000	31 March 2021 £'000	Current Investments 31 March 2020 £'000	31 March 2021 £'000	Debtors 31 March 2020 £'000	31 March 2021 £'000	Total 31 March 2020 £'000	31 March 2021 £'000
Fair value through profit or loss	21979	21,535	0	0	6,969	490	0	0	28,948	22,025
Amortised cost - soft loans	0	0	0	0	0	0	0	0	0	0
Amortised cost - other	(140)	0	977	1,245	1,381	1,286	42,250	47,827	44,468	50,359
Fair value through other comprehensive income- designated equity instruments	0	0	0	0	0	0	0	0	0	0
Cash & cash equivalents at amortised cost	0	0	0	0	38,682	24,606	0	1,439	38,682	26,045
Fair value through other comprehensive income- other	0	0	0	0	0	0	0	0	0	0
Total financial assets	21,839	**21,535**	**977**	**1,245**	**47,032**	**26,382**	**42,250**	**49,266**	**112,098**	**98,429**
Non-financial assets	0	0	1,429	3	0	0	28,747	42,041	30,176	42,044
Total	21,839	21,535	**2,406**	**1,248**	**47,032**	**26,382**	**70,997**	**91,307**	**142,274**	**140,473**

Financial Liabilities

	Non-Current Borrowings 31 March 2020 £'000	31 March 2021 £'000	Creditors 31 March 2020 £'000	31 March 2021 £'000	Current Borrowings 31 March 2020 £'000	31 March 2021 £'000	Creditors 31 March 2020 £'000	31 March 2021 £'000	Total 31 March 2020 £'000	31 March 2021 £'000
Fair value through profit or loss	0	0	0	0	(70)	0	4,299	0	4,229	0
Amortised cost	(262,672)	(235,433)	(31,840)	(30,776)	(36,250)	(47,880)	(41,343)	(50,350)	(372,105)	(364,439)
Cash & cash equivalents at amortised cost	0	0	0	0	0	(7,670)	0	0	0	0
Total financial liabilities	**(262,672)**	**(235,433)**	**(31,840)**	**(30,776)**	**(36,320)**	**(55,550)**	**(37,044)**	**(50,350)**	**(367,876)**	**(364,439)**
Non-financial liabilities	0	0	(13)	(19)	0	0	(15,640)	(22,402)	(15,653)	(22,421)
Total	**(262,672)**	**(235,433)**	**(31,853)**	**(30,795)**	**(36,250)**	**(55,550)**	**(52,684)**	**(72,752)**	**(383,529)**	**(386,860)**

Group Accounts Note 6. Group Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

2019/20 £'000		2020/21 £'000
(258)	Interest received	(25)
9,328	Interest paid	10,525
(1,243)	Dividends received	(1,238)

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

2019/20 £'000		2020/21 £'000
(27,785)	Depreciation	(24,394)
(14,908)	Impairment and downward revaluations	(25,879)
(745)	Increase in valuation of investments	(2,354)
9,831	(Increase) / decrease in creditors	(22,344)
(34,372)	Increase / (decrease) in debtors/Impairment for Bad Debts	31,500
5	Increase / (decrease) in inventories	11,910
(21,452)	Movement in pension liability	(27,508)
6,404	Contributions (to)/from Provisions	1,762
(11,628)	Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised	(14,358)
(148)	Other non-cash items charged to the net surplus or deficit on the provision of services	385
(94,798)		**(71,280)**

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

2019/20 £'000		2020/21 £'000
0	Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries)	0
4,903	Proceeds from the sale of property, plant and equipment, investment property and intangible assets	5,703
28,866	Any other items for which the cash effects are investing or financing cash flows	25,162
33,769		**30,865**

Group Accounts Note 7. Group Cash Flow – Investing Activities

2019/20 £'000		2020/21 £'000
73,635	Purchase of property, plant and equipment, investment property and intangible assets	26,300
37,894	Purchase of short-term and long-term investments	49,621
(4,903)	Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets	(3,101)
(48,000)	Proceeds from short-term and long-term investments	(56,100)
(28,866)	Other receipts from investing activities	(25,162)
(29,760)	**Net cash flows from investing activities**	**(8,442)**

Group Accounts Note 8. Group Cash Flow – Financing Activities

2019/20 £'000		2020/21 £'000
(108,123)	Cash receipts of short- and long-term borrowing	(20,334)
62,719	Repayments of short- and long-term borrowing	35,640
(45,404)	**Net cash flows from financing activities**	**(15,306)**

Group Accounts Note 9. Inventories

2019/20 £'000		2020/21 £'000
83	Opening Balance	88
5	Raw Materials or works in progress	11,910
88	**Closing Balance**	**11,998**

Upnor Castle, Rochester

H. Glossary

Medway Council
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Glossary of Terms

ACCRUAL

A sum included in the final accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

ACTUARIAL GAINS & LOSSES

These are changes in the actuary's assessment of the value of future pension fund requirement. Changes result from actual events not matching previous actuarial assumptions or from a change in assumptions on which the valuation is based.

AGENCY

The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

AMORTISATION

The process of recognising the consumption of intangible assets in the Cost of Services on a systematic basis. Typically, this is done by dividing the gross cost of the asset over its useful life on a straight- line basis.

APPOINTED AUDITORS

Grant Thornton UK LLP is Medway Council's appointed Auditor.

ASSET

An item having a value, measurable in monetary terms. Assets can be defined as current or non-current. A current asset can be readily converted into cash (for example stocks or a short term debtor). A long-term asset is expected to yield economic benefits to the Authority for more than one year (for example a building or a long-term investment).

ASSETS HELD FOR SALE

Assets held for sale are items of property, plant or equipment or a group of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the authority. They are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell.

ASSETS UNDER CONSTRUCTION

A class of property, plant and equipment asset held at historical cost and typically representing the cost of works to date on incomplete capital projects.

AUDIT OF ACCOUNTS

An independent examination of the Authority's financial affairs.

AUTHORISED LIMIT

The statutory limit of the maximum amount of external debt the Authority can owe to external lenders under the Local Government Act 2003.

BUDGET

The spending plans of the Authority over a specific period of time – generally the financial year, 1 April to 31 March.

CAPITAL ADJUSTMENT ACCOUNT

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

CAPITAL EXPENDITURE

Expenditure to acquire or enhance long-term assets.

CAPITAL FINANCING

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants/contributions from third parties, or directly from revenue budgets.

CAPITAL PROGRAMME

The capital schemes the Authority intends to carry out over a specified period of time.

CAPITAL RECEIPT

The proceeds from the disposal of land or other long-term assets.

CHARTERED INSTITUTE OF PUBLIC FINANCE & ACCOUNTANCY (CIPFA)

The professional accountancy body specialising in public finance.

CHURCHES, CHARITIES AND LOCAL AUTHORITIES (CCLA)

The Authority holds units in a property fund and a money market fund managed by this organisation.

COMMUNITY ASSETS

Assets that the Authority intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets include parks and historical buildings.

COMPONENTISATION

The process of analysing an asset into significant component parts where those components have different useful lives. This is required whenever the resultant depreciation charges and their impact on asset carrying amounts would make a material difference to the accounts.

Glossary of Terms (continued)

CONSISTENCY

The concept that ensures the accounting treatment of like items within an accounting period and from one period to the next one is the same.

CONTINGENT ASSET

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

CONTINGENT LIABILITY

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

CREDITOR

Amounts owed by the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

CURRENT SERVICE COST

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

CURRENT VALUE

Measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. In this section of the Code, the current value measurement bases include:

- existing use value
    - existing use value – social housing (EUV–SH)
    - depreciated replacement cost
- fair value

DEBTOR

Amounts due to the Authority for works done, goods received, or services rendered before the end of accounting period, but for which payments had not been received by the end of that period.

DEFINED BENEFIT SCHEME

A pension scheme under which members pension benefits are calculated independently of contributions payable.

DEFINED CONTRIBUTION SCHEME

A pension scheme under which contributions into the scheme are set but the pension benefits payable are related to the performance of investments made by the fund.

DEPRECIABLE AMOUNT

Depreciable amount is the cost of an asset, or other amount substituted for cost, less residual value.

DEPRECIATED REPLACEMENT COST (DRC)

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology, authorities should use the 'instant build' approach at the valuation date and the choice of an alternative site will normally hinge on the policy in respect of the locational requirements of the service that is being provided.

DEPRECIATION

Is the systematic allocation of the depreciable amount of an asset over its useful life.

DERECOGNITION

This is the process of removing financial assets or liabilities from the Balance Sheet once performance under the contract is complete or the contract is terminated.

DISCOUNTS

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

EARMARKED RESERVES

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

Glossary of Terms (continued)

EXCEPTIONAL ITEMS

Significant items of income or expenditure on ordinary activities of the Authority but which due to their size or incidence are disclosed separately to give a fair presentation of the accounts.

EXISTING USE VALUE (EUV)

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm's-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion. It is also assumed that the buyer is granted vacant possession of all parts of the property required by the buyer. The valuer will disregard potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

EXISTING USE VALUE – SOCIAL HOUSING (EUV – SH)

The estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm's-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

- the property will continue to be let by a body and used for social housing
- at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor's ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body's requirements
- properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession
- any subsequent sale would be subject to all of the above assumptions.

EXTERNAL AUDIT

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

EMPLOYEE EXPENDITURE

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

EXPENDITURE

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if payment has not been made (in which case the payee is a creditor to the Authority).

FAIR VALUE

The estimate of the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions.

FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term 'financial instrument' covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex such as derivatives and embedded derivatives.

FINANCE LEASE

Is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

GENERAL FUND

The main revenue fund of the Authority including all services financed by local taxation and government grants.

GOVERNMENT GRANTS

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of Local Authority's services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority (Revenue Support Grant).

GROUP ACCOUNTS

Group Accounts consolidate the financial results of the Authority, any of its subsidiaries and/or associates. The Authority is not required to produce these or group accounts for the 2019/20 Statement of Accounts, due to materiality.

Glossary of Terms (continued)

HERITAGE ASSET

A tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

HISTORICAL COST (HC)

is defined as:

- Assets: the value of the costs incurred in acquiring or creating the asset, comprising the consideration paid plus transaction costs.
- Liabilities: the value of the consideration received to incur or take on the liability minus transaction costs.

The historical cost of an asset may be updated over time to reflect depreciation or amortisation, payments received that settle an obligation owed to the authority, impairment and accrual of interest. The historical cost of a liability may be updated over time to reflect settlement of an obligation owed to a third party, the accrual of interest, or events that have the effect of making the liability onerous.

HOUSING BENEFITS

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities, but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority’s own tenants are known as rent rebate, and that paid to private tenants as rent allowance.

HOUSING REVENUE ACCOUNT (HRA)

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

IMPAIRMENT OF NON-CURRENT ASSETS

A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset’s market value and evidence of obsolescence or physical damage to the asset.

INCOME

These are amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

INFRASTRUCTURE ASSETS

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

INTANGIBLE ASSETS

These are non-current assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity’s financial position, and a standardised method of comparison with financial statements of the other entities.

INVESTMENT PROPERTIES

Properties (land or a building, or part of a building, or both) held solely to earn rental income or for capital appreciation or both, rather than for either the use in the production or supply of goods/services/administrative purposes, or sale in the ordinary course of operations.

JOINT VENTURE

Arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control. Joint venturers have rights to the net assets of the arrangement.

LEASE

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Two forms of lease exist:

- finance leases, and
- operating leases.

LEASING COSTS

This is rental paid for the use of an asset for a specific period of time.

LENDER OPTION BORROWER OPTION (LOBO)

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

Glossary of Terms (continued)

LIABILITIES

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

LONG TERM CREDITORS

Amounts due from Medway Council where payment is to be made over a period of time in excess of one year.

LONG TERM DEBTORS

Amounts due to Medway Council where payment is to be made over a period of time in excess of one year.

MATERIALITY

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

MEDIUM TERM FINANCIAL STRATEGY (MTFS)

A financial planning document setting out future years' financial forecasts for the Authority. It considers local and national policy influences and their impact on the general fund revenue budget, capital programme and HRA. In Medway it usually covers a four year timeframe.

MINIMUM REVENUE PROVISION (MRP)

MRP is the minimum amount which must be charged to an Authority's revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

NON-CURRENT ASSETS

Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

NON-DOMESTIC RATE (NDR or BUSINESS RATES)

NDR is the levy on business property, based on a national rate in the pound applied to the 'rateable value' of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. The income derived from business rates is distributed between preceptors (Medway, Kent Fire and Rescue Service and Central Government) based upon a pre-determined allocation percentage.

NET BOOK VALUE (NBV)

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

NET DEBT

Net debt is the Authority's borrowings less cash and treasury investments.

NET OPERATING EXPENDITURE

This compares all expenditure minus all income, other than the precept and transfers from reserves.

NON-OPERATIONAL ASSETS

Non-current assets held by the Authority, but not directly occupied or used in the delivery of services. Examples are investment properties, or assets that are surplus to requirements, pending sale or redevelopment.

NET REALISABLE VALUE (NRV)

NRV is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

OPERATING LEASE

Is a lease other than a finance lease.

OPERATIONAL ASSETS

Non-current assets held by the Authority and directly occupied or used in the delivery of its services.

PAST SERVICE COST

The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan), and any gain or loss on settlement.

PRECEPT

The amount levied by various Authorities that is collected by the Authority on their behalf. The precepting Authorities in Medway are the Police and Crime Commissioner for Kent (PCCK) and the Kent Fire and Rescue Service (KFRS).

PREMIUMS

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

PRIOR PERIOD ADJUSTMENTS

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

PROPERTY, PLANT AND EQUIPMENT

Tangible non-current assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

Glossary of Terms (continued)

PROVISION

An amount set aside for liabilities or losses which are certain to arise, but which due to their nature cannot be quantified with certainty.

PRUDENTIAL BORROWING

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from revenue budgets.

PUBLIC WORKS LOAN BOARD (PWLB)

A central government agency that provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

RATEABLE VALUE

The annual assumed rental value of a property that is used for Non Domestic Rate purposes.

RELATED PARTIES

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers that form part of the Corporate Management Team, and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

- members of the close family, or the same household; and
- partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

RELATED PARTY TRANSACTIONS

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged. The principal issue is the degree of control or influence by one party over the other. For transactions not disclosed elsewhere in these accounts, a related party with the Authority is either a Cabinet Member or officer forming part of the Corporate Management Team of the Authority.

REPORTING STANDARDS

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. The Code is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Financial Reporting Standards (FRS), International Financial Reporting Interpretations Committee (IFRIC) and UK Generally Accepted Accounting Practice (GAAP).

RESERVES

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the revaluation reserve cannot be used to meet current expenditure.

REVALUATION RESERVE

The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

REVENUE EXPENDITURE

The day-to-day expenses of providing services.

REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE (REFCUS)

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset, the cost of which has been charged as expenditure to the Comprehensive Income and Expenditure Statement (CIES).

REVENUE SUPPORT GRANT (RSG)

The main non-ringfenced grant from Central Government to the Authority to support revenue budgets.

SUBSIDIARIES

Entities that the authority controls if and only if it has all three of the following:

- power over the entity
- exposure, or rights, to variable returns from its involvement with entity, and
- the ability to use its power over the entity to affect the amount of the authority's returns

SURPLUS ASSET

A class of property, plant and equipment assets which are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. Surplus assets are valued at existing use value in their previous use and are subject to depreciation.

Glossary of Terms (continued)

THE CODE (CIPFA ACCOUNTING CODE OF PRACTICE)

The Code incorporates guidance based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they 'present fairly' the financial position of the Council. The Code constitutes a 'proper accounting practice' under the terms of Section 21(2) of the Local Government Act 2003.

NOTE: values throughout these accounts are presented rounded to the nearest thousand. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.

TREASURY MANAGEMENT

The process of controlling the Authority's cash flow, borrowing and lending activities.

TREASURY MANAGEMENT STRATEGY

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Authority.