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Agenda

Audit Committee Meeting

Date: Wednesday, 22 January 2025
Time 7.00 pm
Venue: Council Chamber, Swale House, East Street, Sittingbourne, ME10 3HT

Membership:

Councillors Andy Booth, Derek Carnell (Vice-Chair), Simon Clark (Chair), Charles Gibson, Angela Harrison, Tara Noe, Richard Palmer, Terry Thompson and Dolley Wooster.

Quorum = 3

Pages

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(d) Anyone unable to use the stairs should make themselves known during this agenda item.

2. Apologies for Absence

3. Minutes

To approve the Minutes of the meeting held on 23 October 2024 (Minute Nos. 365 – 369) as a correct record.

4. Declarations of Interest

Councillors should not act or take decisions in order to gain financial or other material benefits for themselves, their families or friends.

The Chair will ask Members if they have any disclosable pecuniary interests (DPIs) or disclosable non-pecuniary interests (DNPIs) to declare in respect of items on the agenda. Members with a DPI in an item must leave the room for that item and may not participate in the debate or vote.

Aside from disclosable interests, where a fair-minded and informed observer would think there was a real possibility that a Member might be biased or predetermined on an item, the Member should declare this and leave the room while that item is considered.

Members who are in any doubt about interests, bias or predetermination should contact the monitoring officer for advice prior to the meeting.

5. Annual Financial Report 2023/24 and Audit Findings Report 5 - 156

Appendix IV (Auditor's Annual Report for the year ended 31 March 2024) to-follow.

6. Internal Audit and Assurance Progress Report 2024/25 157 - 198

7. Treasury Management Half Year Report 2024/25 199 - 214

8. Treasury Management Strategy 2025/26 215 - 232

Issued on Tuesday, 14 January 2025

The reports included in Part I of this agenda can be made available in alternative formats. For further information about this service, or to arrange for special facilities to be provided at the meeting, please contact **democraticservices@swale.gov.uk**. To find out more about the work of this meeting, please visit www.swale.gov.uk

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

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Audit Committee Meeting	
Meeting Date	22 January 2025
Report Title	Annual Financial Report 2023/24 and Audit Findings Report
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury Head of Finance and Procurement
Lead Officer	
Classification	Open
Recommendations	Members are asked to: 1. Note the external auditor's Audit Findings Report (Appendix I); 2. Approve the Letter of Representation (Appendix II) on behalf of the Council; 3. Approve the Annual Financial Report for the year ended 31 March 2024 (Appendix III) including the adjustments set out in the Audit Findings Report; 4. Approve that the Chief Executive and Leader sign the Annual Governance Statement for the year ended 31 March 2024; 5. Approve that the Chairman of this Committee signs and dates the Annual Financial Report for the year ended 31 March 2024; 6. Note the external Auditor's Annual Report including the recommendations and management responses (Appendix IV).

1. Purpose of Report and Executive Summary

1.1 This report seeks the Audit Committee's approval of the Council's Annual Financial Report for 2023/24 and includes the external auditor's Audit Findings Report for their consideration.

2. Background

Audit Findings Report

2.1 Grant Thornton UK LLP has been the Council's external auditors since 1 September 2012. Their audit of the financial statements began in September 2024.

2.2 The Audit Findings Report highlights the key matters arising from the audit of the Council's Annual Financial Report for the year ended 31 March 2024. It is also used to report the audit findings to management and those charged with governance. Grant Thornton are required to report whether the Council's Annual

Financial Report presents a true and fair view of the financial position, its expenditure and income for the year and whether they have been properly prepared. They are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure value for money.

2.3 The Audit Findings Report is Appendix I. Grant Thornton will present this report to the Committee on 22 January.

Letter of Representation

2.4 The letter sets out assurances from the Council to Grant Thornton that relevant accounting standards have been complied with and gives further assurances that the Council has disclosed information where to withhold it would have undermined the accuracy and reliability of the Annual Financial Report. The letter also covers the responsibilities of the Director of Resources and those of the Council in producing the Annual Financial Report for the Council. Grant Thornton require the Audit Committee to approve the Letter of Representation before they can issue their opinion and conclusion on the Council's accounts for 2023/24.

2.5 The Letter of Representation is Appendix II. Grant Thornton will present this to the Committee on 22 January.

Annual Financial Report 2023/24

2.5 Appendix II is the Annual Financial Report for the year ended 31 March 2024. This version has been updated to reflect amendments recommended by Grant Thornton where agreed as included within their Audit Findings report (Appendix I).

2.6 For 2023/24 the timetable for publication of the unaudited Annual Accounts 31 May 2024, and this was achieved. The external audit team were not available to start our audit until October 2024, with the view to completing the work in time for this audit committee meeting. Most of the work has now been completed, as described in the Audit Findings Report, although an audit certificate has not yet been issued.

2.7 Due to the backlog of Local Government audit work, the deadline for publishing audited accounts for 2023/24 was pushed back to 28 February 2025, and it is anticipated that the work will be complete and a certificate issued by this date.

2.8 This year the Value for Money (VFM) audit has been carried out alongside the audit of the statement of accounts and the findings are included with this report, in the Auditor's Annual Report (Appendix IV).

3. Proposals

3.1 The Annual Financial Report for the year ended 31 March 2024 is attached as Appendix III.

3.2 As in the past, the Director of Resources and the Head of Finance and Procurement will work with the external auditors to review the accounts and to continue to maintain and improve them in the future.

4. Alternative Options

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

5. Consultation Undertaken or Proposed

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

6. Implications

Issue	**Implications**
Corporate Plan	Good financial management is key to supporting the Corporate Plan objectives.
Financial, Resource and Property	The External Auditor’s opinion is that the Council’s accounting statements give a true and fair view of the financial position of the Council as at 31 March 2024 and its income and expenditure for the year then ended.
Legal, Statutory and Procurement	The production of the financial statements is a legal requirement under the 2015 Accounts and Audit regulations.
Crime and Disorder	No direct issues
Environment and Climate/ Ecological Emergency	No direct issues
Health and Wellbeing	No direct issues
Safeguarding of Children, Young People and Vulnerable Adults	No direct issues
Risk Management and Health and Safety	No direct issues
Equality and Diversity	No direct issues
Privacy and Data Protection	No direct issues

7. Appendices

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

7.1.1 Appendix I: Audit Findings Report

7.1.2 Appendix II: Letter of Representation

7.1.3 Appendix III: Annual Financial Report for the year ended 31 March 2024

7.1.4 Appendix IV: Auditor’s Annual Report for the year ended 31 March 2024

8. Background Papers

8.1 Detailed working papers are held in the Finance Department.

The Audit Findings Report for Swale Borough Council

Year ended 31 March 2024

Audit Committee date: 22 January 2025

Grant Thornton

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Grant Thornton UK LLP
30 Finsbury Square,
London
EC2A 1AG

www.grantthornton.co.uk

Councillor Simon Clark
Swale Borough Council
East Street
Sittingbourne
Kent
ME10 3HT

22 January 2025

Dear Cllr Clark

Audit Findings Report for Swale Borough Council for the year ending 31 March 2024

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process and confirmation of auditor independence, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

We encourage you to read our transparency report which sets out how the firm complies with the requirements of the Audit Firm Governance Code and the steps we have taken to drive audit quality by reference to the Audit Quality Framework. The report includes information on the firm's processes and practices for quality control, for ensuring independence and objectivity, for partner remuneration, our governance, our international network arrangements and our core values, amongst other things. This report is available at transparency-report-2023.pdf (grantthornton.co.uk).

We would like to take this opportunity to record our appreciation for the kind assistance provided by the finance team and other staff during our audit.

Matt Dean

Key Audit Partner
For Grant Thornton UK LLP

Contents

Your key Grant Thornton team members are:

Matt Dean
Key Audit Partner
E matt.dean@uk.gt.com
T +44 (0)20 7728 3181

Ibukun O Ossai
Senior Manager
E ibukun.o.ossai@uk.gt.com
T +44 (0)20 7728 3116

Zargham Malik
Assistant Manager
E zargham.malik@uk.gt.com
T +44 (0)20 7728 3460

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit planning process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Swale Borough Council (‘the Council’) and the preparation of the Council's financial statements for the year ended 31 March 2024 for the attention of those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), Narrative Report) is materially consistent with the financial statements and with our knowledge obtained during the audit, or otherwise whether this information appears to be materially misstated.

Our audit work was completed remotely during October – December 2024. Our findings are summarised in section 2 of this report and on Appendix B, C, and D. We have not identified any adjustments to the Council’s reporting financial position in the draft accounts. We have identified a small number of disclosure adjustments to the financial statements that are detailed in Appendix D. We have also raised a recommendation for management as a result of our audit work to date. These are set out in Appendix B.

Our audit work is nearing completion. As at the date of writing, there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements, subject to the following areas that remain outstanding;

- testing of property, plant & equipment;
- testing of pension liability;
- testing of employee benefits expenditure;
- testing of grants income including grants received in advance;

As at the date of drafting, the outstanding work on the sections listed above largely relate to GT internal review process and follow-up questions for management to address.

Once our audit testing is finalised, we will:

- complete the quality review of audit work and resolve with management any further queries;
- receive the signed management representation letter;
- review the final set of financial statements.

We have concluded that the other information to be published with the financial statements, including the Annual Governance Statement, is consistent with our knowledge of your organisation and with the financial statements we have audited.

Our anticipated financial statements audit report opinion will be unmodified. We anticipate signing your accounts in advance of the backstop date of 28 February 2025.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We have completed our VFM work, which is summarised in section 3 of this report. Our detailed commentary on the Council’s VFM arrangement is set out in the separate Auditor’s Annual Report, which is presented alongside this report. Whilst we highlight some improvement recommendations within the report, overall, we are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Statutory duties

The Local Audit and Accountability Act 2014 (‘the Act’) also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our Whole of Government Accounts (WGA) Component Assurance statement for the Council for the year ended 31 March 2024. We are awaiting further guidance from NAO in relation to audit closure letter at the time of writing this report.

Significant matters

We did not encounter any significant difficulties or identify any significant matters arising during our audit.

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls;
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks

Conclusion

Our audit of your financial statements is substantially complete and subject to outstanding items being resolved- as detailed in page 4 of this report, we anticipate issuing an unqualified audit opinion following the Audit Committee meeting on 22 January 2025.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff to date.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

Materiality levels remain the same as reported in our audit plan in April 2024

We set out in this table our determination of materiality for Swale Borough Council

	Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,520,000	We considered materiality from the perspective of the users of the financial statements. The Council prepares an expenditure-based budget for the financial year with the primary objective to provide services to the local community, therefore expenditure was deemed the most appropriate benchmark. This benchmark was used in the prior year also. We considered 1.95% to be an appropriate rate to apply to the gross expenditure to calculate the materiality.
Performance materiality	1,140,000	Our performance materiality is based on a percentage of the materiality for the financial statements listed above. The threshold applied to determine performance materiality for the Council was 75% of headline materiality.
Trivial matters	76,000	This balance is set at 5% of materiality for the financial statements of the Council.

2. Financial Statements: Significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in the Audit Plan.

Risks identified in our Audit Plan	Audit Commentary
Presumed risk of fraud in revenue recognition ISA(UK) 240 Under ISA(UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to improper recognition of revenue.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • There is little incentive to manipulate revenue recognition. • Opportunities to manipulate revenue recognition are very limited; and • The culture and ethical framework of local authorities mean that all forms of fraud are seen as unacceptable We do not consider this to be a significant risk for the Swale Borough Council and such there is no specific work planned for this risk. However, given there are material elements of revenue recorded within the Accounts, we undertook the following procedures: • selected a sample from each material revenue stream and tested to supporting information and subsequent receipt of income to gain assurance over accuracy, occurrence and completeness. • Inspected a sample of transactions which occurred in the year to ensure that they have been included in the current year. No issues have been identified from the work performed in this area.
Risk of fraud related to expenditure recognition **(PAF Practice Note 10)** In line with the public audit forum practice note 10, in the public sector, auditors must also consider the risk of material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period)	Practice Note 10 suggests that the risk of material misstatement due to fraudulent financial reporting that may arise from the manipulation of expenditure recognition needs to be considered. Having considered the risk factors relevant to Swale Borough Council and the nature of the expenditure at the Council, we have determined that no separate significant risk relating to expenditure recognition is necessary, as the same rebuttal factors listed above relating to revenue recognition apply. Our assessment remains consistent with that reported in our Audit Plan. Notwithstanding our assessment that there isn't a fraud risk, we have tested all material expenditure streams and have not identified fraud in expenditure recognition from our audit testing.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumed risk that the risk of management override of controls is present in all entities. The Council faces external scrutiny of its spending and this could potentially place management under undue pressure in terms of how they report performance. We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk for both the group and Council, which was one of the most significant assessed risks of material misstatement.	To address this risk, we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness; and • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. Our audit work in this area is substantially complete. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk.
Valuation of Land and Buildings You revalue your operational land and buildings on a rolling five yearly basis. The valuation of these assets represents a significant estimate by management in the financial statement due to size of the numbers involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified valuation of land and building as a significant risk, particularly focused on the valuer's key assumptions and input to the valuations. Additionally for assets not revalued in the year, management will need to ensure the carrying value in the Authority's financial statement is not materially different from the current value at the financial statement's date.	To address the risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • wrote to the valuer (Wilks, Head and Eve), to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met and discussed this basis where there are any departures from the Code; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding; • assessed how management have challenged the valuations produced by the professional valuer to assure themselves that these represent the materially correct current value; • tested revaluations made during the year to see if they have been input correctly to the Council's fixed asset register (FAR); and • evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not currently different to current value at year-end. • evaluated the judgement made by management for all assets not formally revalued when management were determining the current value of the assets. Our audit work in this area is in progress. To date, we identified control recommendations and disclosure changes as highlighted in Appendix B and D of this report. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Valuation of Investment Properties The council revalue its investment properties on an annual basis to ensure these assets are held at fair value at the financial statement date. This valuation represents a significant estimate by management in the financial statement due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions The key assumption for investment property is the yield rates utilised by the valuer and our testing will therefore focus on this area.	To address the risk, we: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to the expert and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert • wrote to the Council's valuers (Wilks, Head and Eve), to confirm the basis on which their valuation was carried out to ensure that the requirements of the Code are met; • challenged the information and assumptions used by the valuer to assess the completeness and consistency with our understanding, assessed the instructions issued by the Council to their valuer, the scope of the Council's valuer's work, reviewed the Council's valuers' reports and the assumptions that underpin the valuations; • focussed our testing on the yield rates used by the valuer; and • tested on a sample basis, revaluations made during the year to ensure they have been input correctly into the Council's asset register. Our audit work in this area is substantially complete. There are currently no matters to draw to the attention of the Audit Committee in respect of the identified risk.

2. Financial Statements: Significant risks

Risks identified in our Audit Plan	Audit Commentary
Valuation of pension fund net liability The Council's pension fund net liability as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the size of the numbers involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. In particular the discount and inflation rates, where our consulting actuary has indicated that a 0.1% change in these two assumptions would have approximately 1.45% effect on the liability/surplus. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation. With regard to these assumptions we have therefore identified valuation of the Council's pension fund net liability as a significant risk.	To address this risk, we: • updated our understanding of the processes and controls put in place by management to ensure that the Council’s pension fund net liability is not materially misstated and evaluated the design of the associated controls; • evaluated the instructions issued by management to their management expert (actuary) for this estimate and the scope of the actuary’s work; • assessed the competence, capabilities and objectivity of the actuary who carried out the Council’s pension fund valuation; • assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability; • tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary; and • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor’s expert) and performed any additional procedures suggested within the report. • obtained assurances from the auditor of Kent County Council Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work in this area is in progress. To date, there are currently no matters to draw to the attention of the Audit Committee. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.

2. Financial Statements: new issues and risks

This section provides commentary on new issues and risks which were identified during the course of the audit that were not previously communicated in the Audit Plan.

Issue	Commentary	Auditor view
IFRS 16 implementation Following consultation and agreement by the Financial Reporting Advisory Board, the Code will provide for authorities to opt to apply IFRS 16 in advance of the revised implementation date of 1 April 2024. In advance of this standard coming into effect, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases, along with the estimated impact of IFRS 16 on the accounts.	The Council did not opt to adopt IFRS 16 early and will implement it for the 2024-25 financial year. As at 31 March 2024, the Council had not made an assessment of the estimated impact of IFRS 16 on the 2023-24 accounts. They are in the process of identifying those leases where the Council is acting as lessee that will be accounted for under IFRS 16 and are also considering their approach to applying recognition exemptions on short-term and low value leases. As they are still ensuring the completeness of their records and lease document, they are unable to reasonably estimate the impact of IFRS 16. The Council is confident that it has adequate solutions in place to meet the Code requirements in terms of IFRS 16 adoption in 2024-25 accounts.	We are of view that the Council met the requirements of the Code in terms of the required minimum disclosures for IFRS 16 in the 2023-24 accounts. Whilst the Council is confident that appropriate plans are in place relating to IFRS 16 adoption in 2024-25, we recommend that the Council ensure preparations are progressed as early as possible to meet the requirements of CIPFA Code for accounts preparation. We raised a control finding on early adoption of IFRS 16. please refer to appendix b page no 28.

2. Financial Statements: key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Land and Building valuations – £79.2m	Other land and buildings (OLB) comprises £33.1 million of specialised assets such as sports centre and leisure clubs, which are required to be valued at depreciated replacement cost (DRC) at year-end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings £30.9m are not specialised in nature and are required to be valued at existing use in value at year-end. The remaining land and buildings, valued at £15 million, are assets that have not been revalued this year. The Council engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five-yearly cyclical basis. 68% of total assets were revalued during 2023-24. The assets not revalued in-year were indexed by the management expert from their last valuation date to 31 March 2024. Management has not documented consideration of alternative estimates for the valuation of its land and buildings, and the modern equivalent assets used in the DRC valuations have not changed significantly, which is to be expected of the Council's OLB assets. Management considered the year-end value of the revalued properties and the potential valuation change in the assets revalued at 1 April 2023. This is based on the market review provided by the valuer as at 31 March 2024, to determine whether there has been a change in the total value of these properties. Management's assessment of assets revalued has identified no material change to the property values. The total year-end valuation of land and buildings was £79.2 million, a net increase of £2.7 million from 2022-23 (£76.4 million).	WHE carried out a formal revaluation of OLB assets, based on the cyclical revaluation programme, as at 31 March 2024. The Council engaged its valuer to certify its indexation assessment of OLB assets to 31 March 2024. We have assessed the Council's valuer to be competent, independent and capable. Our work on this estimate includes: • checking the completeness and accuracy of the underlying information used to determine the valuation of land buildings; • checking the reasonableness of the net increase in the valuation of land and buildings; and • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our audit work in this area is in progress. We have identified a disclosure error detailed in Appendix D of this report. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.	**TBC**

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Investment Property Valuation - £3.8 million	The Council has engaged Wilks Head & Eve LLP (WHE) to complete the valuation of properties as at 31 March 2024 on a five yearly cyclical basis. 100% of total investment assets were revalued during 2023/24. Management has not documented consideration of alternative estimates for the valuation of investment properties. The total year end valuation of investment property was £3.8 million, a net decrease of £277k from 2022/23 (£4.1 million).	We have assessed the Council's valuer to be competent, independent and capable. Our work on this estimate includes: • checking the completeness and accuracy of the underlying information used to determine the valuation Investment properties; • checking the reasonableness of the net increase in the valuation of land and buildings; and • checking the adequacy of disclosure relating to the valuation of land and buildings in the financial statements. Our audit work in this area is in progress. No material issues have arisen in relation to this estimate. This conclusion is subject to the completion of the remaining audit work in this area and the outstanding work set out on page 3 of this report.	TBC
Minimum revenue provision - £1.067 million	The Council is responsible on an annual basis for determining the amount charged for the repayment of debt known as its Minimum Revenue Provision (MRP). The basis for the charge is set out in regulations and statutory guidance. The year-end MRP charge was £1.067 million a net increase of £39k from 2022-23 (£1.028 million).	We have carried out the following work: • Assessed that the MRP has been calculated in line with the statutory guidance; • Confirmed that the Council's policy on MRP complies with statutory guidance; and • Assessed there are no changes to the authority's policy on MRP in comparison with 2022-2023. Our work is substantially completed. No material issues have arisen in relation to this estimate.	● [Green]

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● {Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit Comments	Assessment
Net pension liability – £10.7m	The Council's net pension liability at 31 March 2024 is £10.7 million (PY £13.9 million) comprising the Kent County Council Local Government Pension Scheme. The Council uses Barnett Waddingham LLP to provide actuarial valuations of the Council's assets and liabilities derived from this scheme. A full actuarial valuation is required every three years. The latest full actuarial valuation was completed as at March 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.	We considered the following areas: • We have assessed the Council's actuary, Barnett Waddingham LLP, to be competent, capable and objective. • We have assessed the actuary's approach taken, and detailed work carried out to confirm reasonableness of approach. • We have used PwC as our auditor expert to assess the actuary and assumptions made by the actuary – see table below for our comparison of actuarial assumptions:	TBC

Assumption	Actuary Value	PwC range	Assessment
Discount rate	4.90%	4.80% - 4.95%	●
Pension increase rate	2.90%	2.85% - 3.00%	●
Salary growth	3.90%	1% above CPI	●
Life expectancy – Males currently aged 45/65	20.8	19.2 – 21.8	●
Life expectancy – Females currently aged 45/65	23.3	22.6 - 24.3	●

- We have confirmed the controls and processes over the completeness and accuracy of the underlying information used to determine the estimate.
- We conducted an analytical review to confirm reasonableness of the Council's share of LGPS pension assets.
- We confirmed adequacy of disclosure of the estimate in the financial statements

Assessment

- ● [Red] We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- ● [Amber] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- ● [Grey] We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- ● [Green] We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements: Information Technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating per IT system and details of the ratings assigned to individual control areas.

			ITGC control area rating			
IT application	**Level of assessment performed**	**Overall ITGC rating**	**Security management**	**Technology acquisition, development and maintenance**	**Technology infrastructure**	**Related significant risks/other risks**
Agresso	ITGC assessment (design and implementation effectiveness only)	🟢	🟢	🟢	🟢	No issues noted

Assessment

- 🔴 Significant deficiencies identified in IT controls relevant to the audit of financial statements
- 🟡 Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- 🟢 IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- ⚫ Not in scope for testing

2. Financial Statements: other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Audit Commentary
Matters in relation to fraud	We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	We have requested a letter of representation from management. A copy is included in the Audit Committee papers (see Appendix F).
Confirmation requests from third parties	We requested from management permission to send confirmation requests to various financial institutions and other local authorities for bank and investment balances. This permission was granted, and requests sent. We have received direct confirmation for all balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.

2. Financial Statements: other communication requirements

Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Audit Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; • the Council's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial Statements: other responsibilities under the Code

Issue	Audit Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Annual Governance Statement, Narrative Report and Pension Fund financial statements, is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. To date no issues have been identified, however will provide an update to Management and Those Charged with Governance should any issues be identified.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit, • if we have applied any of our statutory powers or duties. We have nothing to report on these matters. • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. We have nothing to report on these matters
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. HM Treasury requires that entities over a set threshold have their financial information for consolidation 'audited'. The thresholds are that any of total assets (excluding PPE), total liabilities (excluding pensions), total income or total expenditure exceed £2bn for Central Government bodies and Local Government, bodies in the devolved nations and Public Corporations. • Note that work is not required for the Council as the Council does not exceed the threshold
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2023/24 audit of Swale Borough Council in the audit report. We cannot formally conclude the audit and issue an audit certificate for the Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary to issue our WGA Component Assurance statement for the Council for the year ended 31 March 2024. We are awaiting further guidance from NAO in relation to audit closure letter at the time of writing this report.

3. Value for Money arrangements (VFM)

Approach to Value for Money work for 2023/24

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3–5 years)

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM: our procedures and conclusions

Our VFM work is substantially complete, and our detailed commentary is set out in the separate interim Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Following our work, we are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Criteria	2023/24 Risk assessment	2023/24 Auditor judgement on arrangements	
Financial sustainability	No significant weaknesses in arrangements identified	A	No significant weaknesses in arrangements identified, but one improvement recommendation has been made to support the Council in improving arrangements for the medium-term financial plan. These relate to development of a savings plan that can reduce the reliance on reserves and promote sustainability.
Governance	No significant weaknesses in arrangements identified	A	No significant weaknesses in arrangements identified, but two improvement recommendations have been made to support the Council in improving its audit committee arrangements and member to officer relationships.
Improving economy, efficiency and effectiveness	No significant weaknesses in arrangements identified	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.

G	No significant weaknesses in arrangements identified or improvement recommendation made.
A	No significant weaknesses in arrangements identified, but improvement recommendations made.
R	Significant weaknesses in arrangements identified and key recommendations made.

4. Independence considerations

Ethical Standards and ISA (UK) 260 require us to give you timely disclosure of all significant matters that may bear upon the integrity, objectivity and independence of the firm or covered persons (including its partners, senior managers, managers and network firms).

In this context, we disclose the following to you:

--- We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council’s Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

— Further, we have complied with the requirements of the National Audit Office’s Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix E.

Audit and non-audit services

For the purposes of our audit, we have made enquiries of all Grant Thornton UK LLP teams providing services to the group. No non-audit services were identified which were charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Financial year & status	Fees (ex. VAT) £	Threats identified	Safeguards
Audit related				
Certification of Housing benefit	2021/22 – Completed	£51,625 (final)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work for all financial years in comparison to the total fee for the audit of £176,378 and in particular relative to Grant Thornton UK LLP’s turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level. To mitigate against the self-review threat, the timing of certification work is done after the audit is complete, materiality of the amounts involved to our opinion and unlikelihood of material errors arising, and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.
	2022/23 – In progress	£32,400 (proposed)	Self review (because GT provides audit services)	
	2023/24 – In progress	£35,640 (proposed)	Management threat	

These services are consistent with the Council’s policy on the allotment of non-audit work to your auditors. All services have been approved by the Audit Committee. None of the services provided are subject to contingent fees.

4. Independence considerations

As part of our assessment of our independence we note the following matters:

Matter	Conclusion
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Company that may reasonably be thought to bear on our integrity, independence and objectivity
Relationships and Investments held by individuals	We have not identified any potential issues in respect of personal relationships and/or investments held by individuals
Employment of Grant Thornton staff	We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas.
Business relationships	We have not identified any business relationships between Grant Thornton and the Council
Contingent fees in relation to non-audit services	No contingent fee arrangements are in place for non-audit services provided
Gifts and hospitality	We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements

Following this consideration, we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

A. Communication of audit matters to those charged with governance
B. Action plan – Audit of Financial Statements
C. Follow up of prior year recommendations
D. Audit Adjustments
E. Auditing developments
F. Management Letter of Representation
G. Draft Audit opinion

A. Communication of audit matters to those charged with governance

Our communication plan	Audit Plan	Audit Findings Report
Respective responsibilities of auditor and management/those charged with governance	●	
Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks	●	
Confirmation of independence and objectivity	●	●
A statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence	●	●
Significant findings from the audit		●
Significant matters and issue arising during the audit and written representations that have been sought		●
Significant difficulties encountered during the audit		●
Significant deficiencies in internal control identified during the audit		●
Significant matters arising in connection with related parties		●
Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements		●
Non-compliance with laws and regulations		●
Unadjusted misstatements and material disclosure omissions		●
Expected modifications to the auditor's report, or emphasis of matter		●

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance.

The audit of the financial statements does not relieve management or those charged with governance of their responsibilities.

Distribution of this Audit Findings Report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action Plan – Audit of Financial Statements

We have identified five recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management, and we will report on progress on these recommendations during the course of the 2024-25 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
Low	**Consistency between the fixed asset register and valuation report** During the consistency check between the valuation report and the fixed asset register, we discovered that one asset in the FAR had a net book value of zero. We raised this issue with the client, emphasizing the need for alignment between the valuation report and the fixed asset register. If an asset has been disposed of, it should be removed from the valuation report to ensure consistency. **Risk** The risk associated with this control deficiency is the potential for inaccurate financial reporting and misstated asset values. If assets with a net book value of zero remain in the fixed asset register without being properly removed from the valuation report, it could lead to misleading financial statements and distort the true financial position of the entity.	Considering that the asset valuations are conducted annually, it is recommended to implement a robust reconciliation process between the valuation report and the fixed asset register immediately after the valuation exercise. This will help ensure that any discrepancies or disposed assets are promptly identified and addressed, minimizing the risk of inaccuracies in financial reporting. **Management response** We acknowledge that one asset was included in the list provided to the valuers, and was subsequently disposed of prior to year end. We did not inform the valuer, and as such the total of asset revaluations from the valuer included an amount in regards to this asset. This therefore meant that the total of valuations from the valuer was different to those recorded at year end as this disposed asset was correctly accounted for as a disposal within the accounting system. We will update the valuer during the valuation process of any relevant changes to assets on the valuation list each year.

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Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Fully depreciated Assets** In our assessment of the depreciation process, we discovered that specific assets in the fixed asset register have reached full depreciation yet remain listed in the register. The aggregate value of these fully depreciated assets is around £3.3 million. Consequently, these assets are encompassed in the gross book value of the property, plant, and equipment, which give rise to overstatement of gross book value. Upon inquiry, the client clarified that these assets are still in use, which is why they have not been removed from the fixed asset register. However, if this is the case, management should evaluate their useful life and apply depreciation accordingly. **Risk** By retaining fully depreciated assets in the fixed asset register without adjusting their carrying values, there is a risk of overstatement in the gross book value of property, plant, and equipment. This can lead to inaccuracies in financial reporting and misrepresent the true value of the assets.	We believe that addressing this issue is crucial to ensure accurate financial reporting. We recommend management to reassess the useful life of these assets and apply appropriate depreciation. This help ensure the accuracy of the financial statement. **Management response** We will review our list of fully depreciated assets, and their useful lives reassessed.
Low	**Related Parties** In our evaluation of related party disclosures, we found that one officer did not submit their disclosure of interest. The client explained that this individual held an interim position for 6 months, lacked access to financial management controls, and did not reside in the borough. As a result, they classified this individual as lower risk and therefore did not fulfil the disclosure process adequately, despite their status as an officer, which should have warranted completion of the process. **Risk** Failing to adequately disclose the interests of a key officer could result in a lack of transparency and potential conflicts of interest going unnoticed, which could impact stakeholders' trust and confidence in the company's governance.	Management should review and enhance their policies and procedures regarding related party disclosures to ensure that all officers, regardless of their temporary or interim status, are included in the disclosure process. implement periodic reviews of the related party disclosure process to verify that all relevant individuals, including interim officers, have completed the disclosure of interest. This will help in ensuring that no individual, regardless of their position or temporary status, is inadvertently omitted from the disclosure process **Management response** Noted, although we feel that the existing policies and procedures are appropriate. We acknowledge that one return from an interim officer was not completed before his departure.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
Medium	**Employee benefit expenditure** As part of our testing of employee benefit expenditure we review the full time equivalent (FTE) reports to ensure that key changes to member of staff FTE are appropriately recorded and are consistent with the payroll records. We were unable to fully reconcile the FTE of all staff to the FTE reports provided. As this is a key area of our testing, management should ensure that the FTEs of staff match the payroll FTE reports provided to us. **Risk** The payroll system inaccurately reflects the timing of role changes for employees, it could lead to discrepancies between the actual expenditure and the reported figures.	Management should review and update the payroll processes to ensure that changes in employee roles are accurately reflected in the system. This can be achieved through reconciliations and cross-verification of data to maintain consistency and accuracy. **Management response** These discrepancies largely relate to the reporting limitations, rather than inconsistent dates used within the payroll system. When staff changes are known about, these changes are created within the system, but with an effective date. That effective date could be earlier or later than the actual change in the employee's contract, depending on how quickly notification is sent by the line manager. The reports produced as part of the audit process are only able to pick up the date the transaction was entered, not the effective date, and this is where discrepancies occurred. All changes were given an accurate effective date, which would result in pay adjustments if notification was late.
Low	**IFRS 16 - Leases** In our evaluation, we observed that the council has not formulated a comprehensive project plan for the implementation of IFRS 16, as the current policies and procedures have not been updated to align with the requirements of IFRS 16, such as the new guidance on lease classification and treatment of embedded leases. **Risk** The lack of readiness for IFRS 16 implementation poses the risk of increased misstatement in financial statements if leases are not correctly identified, classified, or measured under IFRS 16, or could result in non-compliance with the CIPFA code for the 2024-25 financial year. However, we note that the value of all leases for the Council in 2023-24 is immaterial.	We recommend that management should update financial policies and procedures to integrate the necessary changes mandated under IFRS 16, which should include guidance on lease accounting, determination of discount rates, and ongoing lease management. **Management response** Noted. However, the value of all leases for Swale BC is approximately £200k, and therefore not material. As such we do not feel the need for a fully comprehensive project plan.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice

B. Action Plan – Audit of Financial Statements

Assessment	Issue and risk	Recommendations
TBC	**Accounting for the revaluation reserve** As part of our testing of PPE Land and buildings, we review how management account for increases/decreases in the revaluation reserve for individual assets. We understand the Council uses the CIPFA asset manager software for these accounting entries. However, we have noted some discrepancies with the accounting of individual assets which we have flagged to management. **Risk** There is a risk that the accounting of the movement in revaluation reserves is incorrect leading to material misstatement within the accounts.	We will perform a walkthrough of the system to gain further understanding of how the CIPFA asset system operates.

Controls

- ● High – Significant effect on financial statements
- ● Medium – Limited Effect on financial statements
- ● Low – Best practice
- TBC – Outcome is yet to be finalised.

C. Follow up of prior year recommendations

We identified the following issues in the Swale Borough Council's 2022-23 financial statements audit, which resulted in 1 recommendations being reported in our 2022-23 Audit Findings Report. We have followed up the implementation of our recommendations and note no further issues.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	**Incomplete Accruals of Income** The council has a de-minimus level of £10,000 however during our Income/Debtors completeness testing, we identified several subsequent invoices raised above the de-minimus level in 2023-24 that relate to 2022-23. Management has not accrued for these balances resulting in an understatement of Income for 2022-23.	According to management, clear deadlines were communicated to all relevant staff to encourage timely submission of requests. Staff responsible for processing income and debtors' transactions were reminded of the deadlines, and a moratorium on annual leave was enforced for those staff during the critical period. Additionally, training sessions were provided to staff across the council, emphasizing deadlines for requests and required actions. During the testing we did not uncover this issue.

Assessment

✓	Action completed
X	Not yet addressed

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2024.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000
Classification of Cash (impacts the Balance sheet, Note 41 – Cash and cash equivalents, & Note 42 – Financial instruments) As part of our testing of Cash and cash equivalent, we flagged to management that under IAS 32 , the offsetting of financial assets and financial liabilities, including overdrafts, in the Balance Sheet is permitted only when an entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously. Given the Council does not have the legal right to offset, the Cash balance (alongside associated disclosures) will need to amended to show the asset and liability separately. We recommended that management separate the negative cash balance of £1,750k included within the initial £10,583k cash balance (disclosed as a current asset on the balance sheet in the draft accounts). Management have now amended the Balance sheet and associated notes as listed above accordingly by showing the positive cash balance of £12,333k as a current asset and negative cash balance of £1,750k as a current liability.	0	Dr Cash – Current asset 1,750 Cr Cash – Current liability (1,750)	0	0
Overall impact	**£0**	**£0**	**£0**	**£0**

D. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 24 – Property, Plant and equipment We discovered that the disposal amount reported in the cash flow did not align with the Property, Plant, and Equipment note. It was uncovered that the sum of £2,085k was erroneously classified under a different category in note 24.	Management should correct the consistency between the Cashflow Statement and Note 24. **Management response** We have updated the financial statements.	✓
Note 25 – Non-current Asset valuation While reconciling non-revalued and revalued assets with the total property, plant, and equipment (PPE) note, we discovered an error in the disclosure related to "carried at historical cost" and the figures for 2022/23 (£7,676k) and 2023/2024 (£58,878k).	Management should revise note 25 to ensure that the reconciliation of revalued and non-revalued assets aligns with the balance presented in note 24. **Management response** We have updated the financial statements.	✓
Note 42 – Financial Instruments A discrepancy was identified in table 3 of note 42 concerning the Fair value through profit and loss for money market funds and CCLA. The disclosed amount is stated as £762k, whereas the correct amount should be £1,102k.	Management should update the disclosure **Management response** We have updated the financial statements.	✓

D. Audit Adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure/issue/Omission	Auditor recommendations	Adjusted?
Note 42 – Financial Instrument During our review, in table 2 of the Financial Statements, note 42 presents an incorrect value for prior years Total Financial Liabilities as £19,262k. The accurate total value should be £16,099k, and it has been erroneously reported as £19,262k.	Management should amend this disclosure. **Management response** We have updated the financial statements.	✓
Note 43 – Operating leases During our examination of the operating leases, we uncovered inaccuracies in the lease schedule related to start dates, end dates, and amounts for the leases. Consequently, this affected the disclosure in Note 43, particularly the figure for "Later than 5 years." The reported value was 43,021,000 and should actually be 43,924,000.	Management should amend this disclosure. **Management response** We have updated the financial statements.	✓

D. Audit Adjustments (continued)

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2023/24 audit which have not been made within the final set of financial statements. The Audit Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Heritage assets (impacts: Balance sheet & Note 27 – Heritage assets) The Council's policy on heritage assets is that they are carried at valuation (the majority are based on insurance valuations) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon. For one heritage asset '*Sheerness Clock (and Tower) High Street Sheerness*', the valuation report provided stated the value at £1,250k whilst the Council has recognised the asset at £1,436k. A difference of £186k. Management state that the £186k represents additional works done to the asset. However, as this is not in line with the insurance valuation, we are highlighting the difference.	Dr – Expenditure (impairment) 186	Cr – Heritage assets (186)	186	186	Not deemed material
Overall impact	**£186k**	**(£186k)**	**£186k**	**£186k**	

D. Audit Adjustments (continued)

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2022/23 financial statements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund £000	Reason for not adjusting
Note 24 Property, plant and equipment (PPE) assets As part of our PPE work, we noted £1,101k difference in reconciling the fixed asset register, financial statement, and valuation summary report. DR PPE CR Revaluation Reserve		1,101 (1,101)			Not material
Note 9 – Defined Benefit Pension Scheme (g) As part of our pension work, we noted £100k difference in reconciling the Fair value of Fund assets to the actuary report and the financial statement DR Pension Liability CR Pension Reserve		100 (100)			Not material
Overall impact	**£0**	**£0**	**£0**		

E. Fees and non-audit services

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee	Final fee
Swale Borough Council Audit	£168,848	£168,848
ISA 315*	£7,530	£7,530
Total audit fees (excluding VAT)	£176,378	£176,378

**This will need PSAA approval before we can issue the bill*

Details regarding the proposed fee for provision of non-audit services is as below.

Non-audit fees for other services	Proposed fee	Final fee
Audit-related services: Certification of Housing Benefit Claim 2023/24	£35,640	TBC
Total non-audit fees (excluding VAT)	£35,640	TBC

The audit fee within the financial statement is £230k. This is made up of:

- £176,378: This is the PSAA agreed fee for 23/24 audit. This has been agreed to the PSAA website and the audit plan.
- £18,622: This is the additional fee for the 22/23 audit fees paid in 23/24. This was set out in the audit plan.
- £35,640: Indicative 23/24 Housing benefits fees.

None of the above services were provided on a contingent fee basis

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence.

F. Management Letter of Representation

[LETTER TO BE WRITTEN ON CLIENT HEADED PAPER]

Grant Thornton UK LLP
30 Finsbury Square
London
ECA2 1AG

[Date]

Dear Grant Thornton UK LLP

Swale Borough Council

Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Swale Borough Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and buildings and investment properties, year-end accruals, year-end provisions including NNDR appeals, impairment loss allowance for debtors, and valuation of defined benefit net pension fund liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent

   b. none of the assets of the Council has been assigned, pledged or mortgaged

   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

F. Management Letter of Representation

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council’s financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the Council’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council’s financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Council’s financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

F. Management Letter of Representation

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 22 January 2025

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council

G. Draft Audit opinion

Our audit opinion is included below.

We anticipate we will provide the Council with an unmodified audit report

Independent auditor's report to the members of Swale Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Swale Borough Council (the 'Authority') for the year ended 31 March 2024, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Income and Expenditure Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24.

In our opinion, the financial statements:

• give a true and fair view of the financial position of the Authority as at 31 March 2024 and of its expenditure and income for the year then ended;

• have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24; and

• have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2024) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We are responsible for concluding on the appropriateness of the Director of Resources' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify the auditor's opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

In our evaluation of the Director of Resources' conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

In auditing the financial statements, we have concluded that the Director of Resources' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Authority's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director of Resources with respect to going concern are described in the relevant sections of this report.

G. Draft Audit opinion (continued)

Other information

The other information comprises the information included in the Statement of Accounts , other than the financial statements and our auditor's report thereon . The Director of Resources is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office in November 2024 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the requirements of the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements, the other information published together with the financial statements in the Statement of Accounts for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice, we are required to report to you if:

- we issue a report in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit ; or
- we make an application to the court for a declaration that an item of account is contrary to law under Section 28 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or;
- we issue an advisory notice under Section 29 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014, in the course of, or at the conclusion of the audit.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority and the Director of Resources

As explained more fully in the Statement of 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 Director of Resources. The Director of Resources is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, for being satisfied that they give a true and fair view, and for such internal control as the Director of Resources determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Resources is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Draft Audit opinion (continued)

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015 and the Local Government Act 2003) .

We enquired of management and the Audit committee, concerning the Authority’s policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority’s financial statements to material misstatement, including how fraud might occur, by evaluating management’s incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, the risk of improper revenue recognition (rebutted) and the risk of fraud in expenditure recognition (rebutted), the valuation of land, buildings and investment property and the valuation of pension liability. We determined that the principal risks were in relation to journal entries and management bias in the calculation of estimates.

We considered whether there was any potential management bias in accounting estimates or any significant transactions with related parties which could give rise to an indication of management override.

Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on the journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included manual journal entries, large value journals, journals containing keywords which might indicate fraud, journals posted after year end and journals posted by selected named officers
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of valuation of land and buildings, valuation of investment property, and defined benefit pensions liability valuation
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

We communicated relevant laws and regulations and potential fraud risks to all engagement team members. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

G. Draft Audit opinion (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Matter on which we are required to report by exception – the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2024.

We have nothing to report in respect of the above matter.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in November 2024. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

- Financial sustainability: how the Authority plans and manages its resources to ensure it can continue to deliver its services;
- Governance: how the Authority ensures that it makes informed decisions and properly manages its risks; and
- Improving economy, efficiency and effectiveness: how the Authority uses information about its costs and performance to improve the way it manages and delivers its services.

We document our understanding of the arrangements the Authority has in place for each of these three specified reporting criteria, gathering sufficient evidence to support our risk assessment and commentary in our Auditor's Annual Report. In undertaking our work, we consider whether there is evidence to suggest that there are significant weaknesses in arrangements.

Report on other legal and regulatory requirements – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Swale Borough Council for the year ended 31 March 2024 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed the work necessary in relation to consolidation returns, including Whole of Government Accounts (WGA), and the National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2024. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2024.

G. Draft Audit opinion (continued)

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 85 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

Name Matt Dean, Key Audit Partner

for and on behalf of Grant Thornton UK LLP, Local Auditor

London

Date:

Grant Thornton

grantthornton.co.uk

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Making Swale a better place
Swale Borough Council
Lisa Fillery
Swale House
East Street
Sittingbourne
Kent
ME10 3HT

lisafillery@swale.gov.uk
01795 417267

Grant Thornton UK LLP
30 Finsbury Square
London
ECA2 1AG

January 2025

Dear Grant Thornton UK LLP

Swale Borough Council
Financial Statements for the year ended 31 March 2024

This representation letter is provided in connection with the audit of the financial statements of Swale Borough Council for the year ended 31 March 2024 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include valuations of land and buildings and investment properties, year-end accruals, year-end provisions including NNDR appeals, impairment loss allowance for debtors, and valuation of defined benefit net pension fund liabilities. We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

   a. there are no unrecorded liabilities, actual or contingent
   b. none of the assets of the Council has been assigned, pledged or mortgaged
   c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council’s financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment. We continue to believe that the Council’s financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:

   a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
   b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
   c. the Council’s system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements

xv. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvi. We have provided you with:

  a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
  b. additional information that you have requested from us for the purpose of your audit; and
  c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.

xvii. We have communicated to you all deficiencies in internal control of which management is aware.

xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xix. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:

  a. management;
  b. employees who have significant roles in internal control; or
  c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxiv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxv. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit Committee at its meeting on 22 January 2025

Yours faithfully

Lisa Fillery Director of Resources

Signed on behalf of the Council

Annual Financial Report

for the
year ended

31 March 2024

Lisa Fillery CPFA
Director of Resources

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The Council

Swale Borough Council is located on the county of Kent's north coast between Medway, Maidstone and Canterbury, around 45 miles from London, but set in rolling Kentish countryside, and less than 30 miles from the Channel Tunnel. With an area of 373 square kilometres and a population of 155,000, Swale includes the towns of Sittingbourne and Faversham, the Isle of Sheppey, and an extensive rural hinterland.

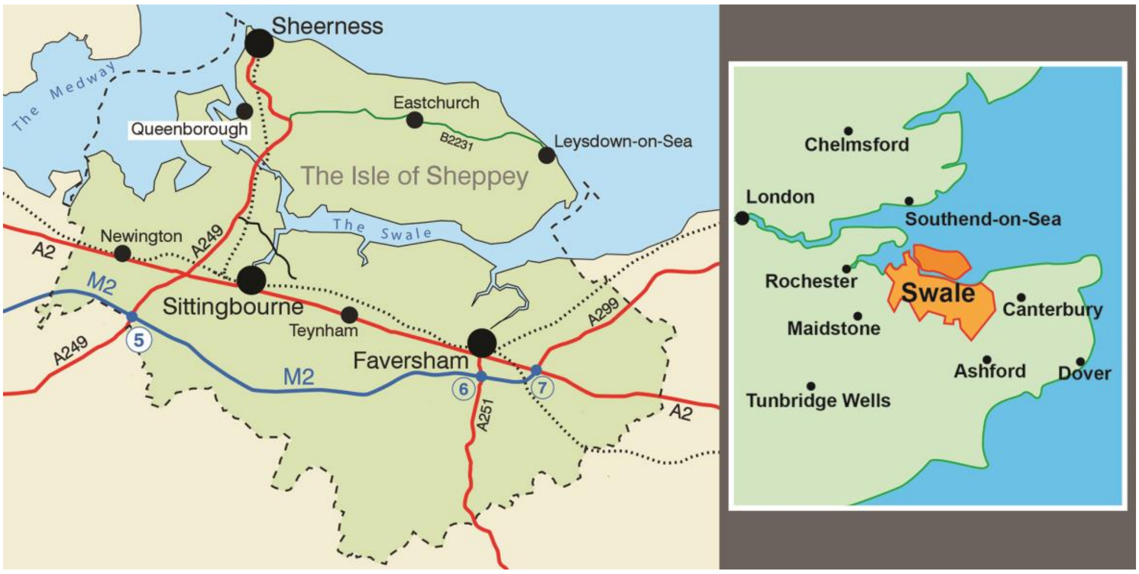
The Council provides a wide range of services, such as waste collection, recycling, street cleansing, parking, planning, leisure, homelessness support, housing benefit, public conveniences and environmental health.

The Council has 47 councillors (also known as 'Members') covering 24 wards. Each Councillor is elected for a term of four years, with the last election on 4 May 2023. Councillors are elected to represent their constituents and to take decisions upon Council services and policies. Swale continues to be controlled by a Coalition under a Committee System implemented from May 2022. At the start of the 2023/24 financial year, the Leader of the Council was Councillor Baldock, following the elections on 4 May Councillor Gibson became the Leader of the Council. The Council's services are organised into Directorates and Departments.

The Council's Corporate Plan can be found here: https://swale.gov.uk/news-and-your-council/publications/council/corporate-plan

The Council's priorities are:

- Community – To enable our residents to live, work and enjoy their leisure time safely in our borough and to support community resilience.
- Economy – Working with the businesses and community organisations to work towards a sustainable economy which delivers for local people.
- Environment – To provide a cleaner, healthier, more sustainable and enjoyable environment, and to prepare our borough for the challenges ahead.
- Health & Housing – To aspire to be a borough where everyone has access to a decent home and improved health and wellbeing.
- Running the Council – Working within our resources to proactively engage with communities and outside bodies to deliver in a transparent and efficient way.



Narrative Report

Introduction

This narrative report provides a guide to the Council’s accounts and financial position as of 31 March 2024. It includes:

- An explanation of the Annual Financial Report, and each of the main financial statements;
- A look back at financial performance in 2023/24;
- Any major events or changes in presentation and accounting that impact on the accounts; and
- A look at the future financial position and challenges.

Annual Financial Report

Swale Borough Council’s Annual Financial Report for 2023/24 provides a record of how the Council has used its financial resources during the year.

The Annual Financial Report has the following sections:

- the Narrative Report, which will cover financial and non-financial performance;
- an Annual Governance Statement showing how the Council meets set standards when carrying out its responsibilities;
- a report from Grant Thornton, after they have reviewed the Council’s accounts;
- the Statement of Accounts – see below; and,
- a glossary to explain any technical terms used in the report.

The Annual Governance Statement

This statement is not part of the Statement of Accounts, but is an accompanying report, and is therefore included within the Annual Financial Report.

The purpose of the Annual Governance Statement is to assess and demonstrate that there is a sound system of corporate governance throughout the organisation.

Auditors report

The Council’s accounts and all relevant documents are subject to review by Grant Thornton UK LLP – the Council’s external auditors. At the conclusion of their work, the external auditors provide an independent opinion on whether the financial statements present a “true and fair view” of the financial position of the Council at the balance sheet date, and of its income and expenditure for the year. They also report on whether the Council has made proper arrangements to secure economy, efficiency and effectiveness in the use of resources.

The main financial statements

The Statement of Accounts, through the main statements and accompanying notes, provides a record of the Council’s financial position and performance for the year ended 31 March 2024. It has been prepared in accordance with the Accounts and Audit Regulations 2015 which require the accounts to be prepared and signed by the responsible officer by 31 May 2024.

The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2023/24 (the Code), supported by International Financial Reporting Standards (IFRS).

The local authority accounting year runs from 1 April to 31 March. Throughout the accounts figures in brackets represent income or negative figures. The statements are produced using figures rounded to the nearest thousand. This can lead to rounding variances in some of the totals included within the statements and the notes to the accounts.

The Statement of Accounts appears on pages 31 to 94. The Expenditure and Funding Analysis is not a core financial statement but has been included at this stage of the Statement of Accounts to assist readers with a logical path through the detailed financial reporting.

Expenditure and Funding Analysis page 31 – this shows the final net spend for each service for the year and their impact on the Council’s resources and then converts these figures in accordance with accounting regulations so that they match those in the Comprehensive Income & Expenditure Statement.

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

Comprehensive Income & Expenditure Statement page 34 – shows all of the Council’s spending, income and changes in value in providing its services during the year in accordance with generally accepted accounting practice.

Movement in Reserves Statement page 36 – shows the movement on all the Council’s reserves (funds set aside) due to the increase or decrease in the Council’s net worth as a result of its spending, the income it received, and changes in the value of its assets.

Balance Sheet page 37 – summarises the Council’s financial position at 31 March each year. It shows the assets (what the Council owns) that the Council holds and its liabilities (what the Council owes) to other parties, and the Council’s reserves, separated into those that can be used for future spending (usable reserves) and those created to reconcile the technical aspects of accounting (unusable reserves).

Cash Flow Statement page 39 – summarises the cash movements in and out of the Council’s bank accounts over the year.

Notes to the Core Financial Statements on pages 40 to 90 – present information about the basis of preparation of the financial statements and the accounting policies used. The notes also disclose information required by the Code that is not presented elsewhere in the financial statements but is relevant to understanding them.

Collection Fund on pages 91 to 94 – is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement, and accompanying notes, show 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.

Financial Performance in 2023/24

This section gives an overview of the financial performance of the Council in 2023/24, including reasons for significant variances from planned expenditure.

The finances of the Council are now thought to have recovered as far as they will from the impact of Covid-19, as activity levels have settled into a new routine. However, the year continued to be impacted by the cost of living crisis in the UK, and global events such as the war in Ukraine.

As in recent years, the Council has continued to receive grant funding to pay over to residents in the form of the Housing Support Fund and energy support schemes, to help households manage increasing costs.

There were regular reports to Policy and Resources committee and senior management on the monitoring of spend against budget. In 2023/24 the final outturn position was balanced, with the use of £1.232m from the budget contingency reserve. The budget for 2023/24 included the use of £2.045m from the budget contingency reserve, so the final position was an improvement of £813k. The major variances against budget were an overspend on temporary accommodation, offset by savings on salaries and additional income, including much higher investment income earned throughout the year as a result of interest rates remaining high, and delays in spend on capital projects. A report will go to Policy and Resources Committee on 15 July 2024 which details how the Council spent its money against its budget and how this expenditure was financed.

The employment market remains buoyant, with some signs of loosening. This strength in the employment market has resulted in difficulties recruiting to some vacancies, so although staff vacancies have led to financial savings in 2023/24 this is not an ongoing saving. The difficulties recruiting have also resulted in the use of agency staff, so these vacancies do need to be filled in order for the Council to deliver the required services and budget savings, and attempts to recruit continue.

Reviewing the Council's Performance

Revenue Expenditure and Income for 2023/24

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

		Budget 2023/24 £'000	Spend 2023/24 £'000	Over/ (Under) Spend 2023/24 £'000
Chief Executive		705	673	(32)
Communications		306	312	6
Elections, Democratic Services & Information Governance		1,117	1,077	(40)
Housing & Community		4,958	5,180	221
Planning		573	1,087	514
Environment & Leisure		8,339	7,655	(684)
Regeneration & Economic Development		(154)	(302)	(148)
Finance & Procurement		815	769	(46)
Revenues & Benefits		311	337	25
Environmental Health		548	572	24
Information Technology		1,285	1,277	(7)
Internal Audit	Shared Services	176	128	(48)
Human Resources		449	406	(43)
Legal		575	618	43
Drainage Board Levy		951	911	(40)
Corporate Overheads and Capital Financing		2,980	2,429	(551)
Cost of Services		**23,933**	**23,128**	**(805)**
Financed by:				
Budget Contingency Reserve		(2,045)	(1,232)	813
Revenue Support Grant		(317)	(317)	0
Other Grants		0	(8)	(8)
Services Grant		(671)	(671)	0
Business Rates		(10,159)	(10,159)	0
New Homes Bonus		(1,103)	(1,103)	0
Collection Fund Surplus		45	45	0
Council Tax		(9,684)	(9,684)	0
(Surplus) in Year		**(0)**	**(0)**	**0**

	Budget 2023/24 £'000	Actual 2023/24 £'000	Variance 2023/24 £'000
General Fund Balance 1 April 2023	(3,103)	(3,103)	0
Surplus in year	0	0	0
General Fund Balance 31 March 2024	**(3,103)**	**(3,103)**	**0**

The above table shows that the General Fund balance has remained at £3.103m for 2023/24. The Council's policy is to maintain a balance of at least £1.5 million in the General Fund. The balance of £3.103 million at 31 March 2024 represents 13.4% of the Cost of Services for 2023/24 and is therefore deemed to be at an adequate level by the Head of Finance and Procurement.

In addition, the Council:

- collected £105m of Council Tax for Police, Fire, Kent County Council (KCC), Parish Councils and itself (£99m in 2022/23);
- collected £53m of Business Rates for the Government, Fire, KCC, and itself (£51m in 2022/23);
- paid out £31m on benefits and received £30m in grant (£31m paid, £31m received in 2022/23).

The main variances between the budget and the outturn are set out below by service.

Activity	**Variance (£000)** **()=underspend** **+ve = overspend**	**Explanation of variance**
Housing and Community	221	The variance is largely due to an increase in the cost of the temporary accommodation which has outstripped the hard work of the team in reducing the number of placements during 2023/24. This is offset with salary underspends within the Customer Service Centre and the Stay Put/Private Sector areas.
Planning	514	The variance is due to increased costs of temporary staffing due to difficulties in recruiting permanent staff, this is a net position as additional income was also achieved during the year. The team restructure implemented in 2024/25 aims to address the recruitment issue.
Environment and Leisure	(684)	The variance is largely attributable to a lower cost of indexation for the refuse collection and street cleansing contract than was initially budgeted. The waste and street cleansing budgets for 2024/25 have been calculated on the new contract. In addition parking activity has recovered well and the final position is therefore better than anticipated. Leisure and Technical Services are reporting an overspend of £215k. This is mainly as a result of an increased cost on leisure and sports centres in relation to an increase in leisure centre utility costs.
Regeneration & Economic Development	(148)	There have been a number of rent reviews that have increased rents due. These also attracted an element of back rent, so rental income has a one year peak.
Shared Services	(32)	There were a number of staff vacancies across the shared services that created savings within the year. Legal Services overspend was as a result of higher than budgeted use of interim staff and external legal services across the Council.

Corporate Items	(551)	The main reason for the variance is higher than anticipated investment income due to the increased bank rate as well as a saving on pensions costs. Reduced insurance contract costs offset additional external audit costs. Where the savings are ongoing the changes have been reflected in the budget for 2024/25.

Capital Spending for 2023/24

Where spending is on an asset which will benefit the Council over a number of years, it is called capital. It is funded mainly by Government grants, borrowing, reserves and capital receipts (money from selling land and other assets). The revenue impact of implementing the capital programme is reflected in the revenue budget.

The Council's spend on capital schemes in 2023/24 was £11.02 million. The outturn position of the capital programme is detailed in the table below, along with a breakdown of how it was funded.

	Revised Budget		Spend		Slippage	Variance
	Gross	**Net**	**Gross**	**Net**		**to Budget**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Levelling up - Sheerness Revival	7,349	0	1,029	0	6,320	0
Waste vehicle fleet	7,035	5,035	6,047	4,247	788	0
Disabled facilities grants	6,103	0	1,545	0	4,558	0
Local Authority housing	5,263	5,263	0	0	5,263	0
Housing temporary accommodation	4,539	3,842	959	262	3,580	0
Open spaces play equipment	488	0	147	0	338	0
Swale House refurbishment	282	282	261	261	21	0
Leisure centres	287	287	0	0	287	0
Faversham Creek basin regeneration	200	200	0	0	200	0
ICT replacement programme	192	0	122	0	0	0
Barton's Point toilet & shower block	180	0	128	0	0	0
Changing Places toilet upgrades	150	20	131	20	19	0
Rural Prosperity Fund grants	126	0	111	0	14	0
Lynsted churchyard walls	120	0	0	0	0	0
Sheerness public toilets	120	0	86	0	0	0
High Street town centres	76	0	0	0	57	0
Other services	827	195	454	0	214	0
Total	**33,336**	**15,124**	**11,020**	**4,789**	**21,660**	**0**
Sources of funding						
Capital grants and other contributions			3,780			
Earmarked reserves			623			
Borrowing			4,789			
Capital receipts			1,800			
Direct revenue funding			28			
Total capital funding			**11,020**			

The main capital expenditure items in 2023/24 were waste vehicle fleet, disabled facilities grants, the levelling up Sheerness Revival project and the purchase of housing for temporary accommodation.

There are currently no anticipated under or overspends within the capital programme, and unspent budget in the year of £21.66m will therefore be slipped into 2024/25. The reason for the slippage is mainly due to the spend on disabled facilities grants being dependent on applications received, as well as a delay in starting the Levelling Up project whilst awaiting funding decisions.

How the Council Manages its Surplus Funds

The Council's total investment averaged £23 million during 2023/24 (£30 million for 2022/23) and closed at £15 million at 31 March 2024 (see Note 42, Table 4) (£9.4 million at 31 March 2023). The Council achieved a return of 4.37% for 2023/24, amounting to £1,171,000 (£704,000 in 2022/23).

The Council meets Government and accounting requirements on treasury management which emphasise the security of funds. The policy is to avoid unnecessary risk, so the Council only puts money with the safest and most secure financial institutions and a number of very large, wide-ranging money market funds (these are well rated, highly diversified pooled investment vehicles).

At 31 March 2024, the Council had two loans of £5 million each, from a local authority and PWLB at an average rate of 4.45%.

How the Council Collects Tax

The Council collects Council Tax on behalf of Kent County Council (KCC), Police, Fire, and Parishes, and Business Rates for the Government, KCC, and Fire service, which is recorded in the Collection Fund which can be seen on page 91. At the year-end, this account had a deficit balance of £0.3 million (surplus balance of £0.5m at 31 March 2023).

Transparency of the Council's Spending

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

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

Pensions

The Council is a member of the Local Government Pension Scheme (LGPS), which KCC administers on the Council's behalf. Every three years the value of this fund is valued by a firm of actuaries (professionally qualified independent consultants). This valuation estimates how much money will be needed to pay pensions in the future and compares this to the expected income. A valuation is carried out every three years and this sets the amount that the Council has to pay to the Kent Pension Fund.

However, the pensions note in the accounts (Note 9) is based upon a different method of valuing the Pension Fund from the one described above. Instead, the value of pensions in the accounts is based on an International Accounting Standard (IAS 19) using different assumptions from the approach described above. In the accounts, the pension deficit according to IAS 19 has decreased from £14 million at 31 March 2023 to £11 million at 31 March 2024. However, this IAS 19 approach does not affect the amount that the Council has to pay to the Kent Pension Fund which is set by the results of the three year valuation described above.

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

Year	IAS 19 Review Pension Deficit £'000	3 Year Review Pension Deficit £'000
2021/22	62,604	15,453
2022/23	13,924	8,460
2023/24	10,749	20,220

The reduction of the IAS 19 deficit is in line with our expectations based on our maturity level and the increase in discount rates.

The reasons for the contrast in the valuations between the two methods are the different methods and assumptions underlying their calculations.

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

Significant changes to the local authority financial regime

New Accounting Policies in 2023/24

There were no new significant accounting changes or policies that were adopted for the 2023/24 Accounts.

Future Accounting Policies

The Chartered Institute of Public Finance and Accountancy (CIPFA) and the Local Authority (Scotland) Accounts Advisory Committee (LASAAC) have deferred the implementation of International Financial Reporting Standard (IFRS) 16 on Leases until 1 April 2024.

Future financial position and challenges

The future of local government funding remains very uncertain, with little to no information available on funding for district councils from April 2025 onwards.

Fundamental changes planned to the funding basis of councils have been deferred yet again. There will be no changes made before the next general election and it is unclear how soon any new government will look to make changes. No announcement has been made about the baseline reset or any of the other business rates reforms. There was no announcement on the Fair Funding Review and the growing sense that it too will be delayed until at least 2026/27.

As well as business rates reset and the Fair Funding Review, there are upcoming changes to the funding of waste collection and disposal services. At this time there are many unknowns around this, which adds to uncertainty around future finances.

The budget strategy is intended to ensure that the Council has a balanced and sustainable budget that provides the financial resources needed to implement the key priorities.

Medium Term Financial Plan

The Medium Term Financial Plan presented to Council on 21 February 2024 forecast a revenue budget gap of £733,000 in 2024/25, growing to a gap of £3.5 million in 2026/27 and therefore this will need to be addressed in future budget rounds. It is not sustainable to rely on significant transfers from reserves to support the base budget position.

Future budgetary issues include: potential changes to central Government funding of local authorities, impact of the local and UK economy on business rates income, increasing costs of temporary accommodation and supporting homeless applications, increased service demand due to cost of living, and reducing reliance on reserves.

The Council seeks to maintain a minimum of £1.5m as its General Fund balance, but this minimum level will be reviewed next year. At 31 March 2024 the balance was £3.1m. The Council holds earmarked reserves for specific purposes. The Director of Resources' view is that the level of reserves and balances held by the Council are at a reasonable level.

The Medium Term Financial Plan is detailed in the Council's report on setting the Budget and Council Tax for 2024/25 which was approved by Council meeting on 21 February 2024 which can be found on the Council's website here: Agenda for Council on Wednesday, 21 February 2024, 7.00 pm (swale.gov.uk)

Capital Strategy

The Capital Strategy gives a high-level overview of how capital expenditure, capital financing and treasury management activity contribute to the provision of local public services.

Looking ahead to 2024/25 there will be three major capital projects which are reflected in the Capital Budget:

- Housing company - in October 2020 Cabinet agreed to establish Swale Rainbow Homes Ltd. The outline business case envisaged the Council providing up to £23 million of funding through loans to support the delivery of new homes. The exact arrangements for the drawdown of this funding will follow the detailed planning and procurement phases. The cost of the borrowing will be wholly met by the company.

- Purchase of temporary accommodation – the Housing and Health Committee on 17 January 2023 agreed a budget of £11 million to purchase up to 50 properties within the borough to accommodate households in need of housing. The funding for this project will be a reallocation of temporary accommodation spend to cover the capital financing costs. This project commenced in 2023/24 but the majority of purchases are expected in 2024/25.

- Levelling Up Scheme – the council has been successful in its bid for funding from the Levelling Up scheme. This project will use funding to improve health, education, leisure and employment opportunities in Sheerness through the Sheerness Revival project. This is expected to be a two-year capital project, with the budget profiled across 2023/24 and 2024/25. Due to delays in announcing the award of funding, there may be a need to reprofile part of the budget into early 2025/26.

The Director of Resources believes that the Capital Strategy and Capital Programme proposed are sustainable. The capital strategy and programme are detailed in the Council’s report on setting the Budget and Council Tax for 2024/25 which was approved by Council meeting on 21 February 2024 and can be found on the Council’s website here: Agenda for Council on Wednesday, 21 February 2024, 7.00 pm (swale.gov.uk)

Conclusions

It has been another challenging year for the Council, but financial plans have been substantially delivered and plans are in place to help identify and deliver savings in future years whilst continuing to strive to minimise any negative impact on services.

I would like to thank all staff within the Council for their efforts in delivering quality services largely within the Council’s financial plans. The hard work of all staff puts the Council in the best possible position to deal with the serious financial challenges that we continue to face, and I have faith that staff will strive to meet these challenges.

Particular thanks are due to the finance team for their work in producing this Statement of Accounts in a very short timescale, in a period when their workload exceeded their available work hours.

Claire Stanbury CPFA

Date: 31 May 2024

Head of Finance and Procurement

Reviewing Performance

The Council’s Performance

The Council continues to monitor its performance against a range of performance indicators and, where possible, to benchmark its performance with those of other local authorities. In addition to numerous indicators in use within specialist teams, Members, through Policy and Resources Committee, and Management monitored a set of 43 ‘corporate’ indicators on a regular basis. The Council publishes a summary performance report each month on its website at http://www.swale.gov.uk/managing-performance/.

The Council’s People

The Council has developed its values to describe clearly how the Council does things and all employees should be aware how the Council expects them to work. The Council has an engagement plan to ensure that staff know where they fit in and the importance of their role in delivering the priorities of the Council. An important part of the engagement plan is the approach to staff communications which are regular and made through a variety of communication channels.

The Workforce Strategy is being updated and is due to be adopted in 2024/25.

The monitoring of workforce information by SMT continues to focus on sickness absence with improvements seen in 2023/24, with an average of 5.88 days per employee (2022/23 8.63 days per employee). This is below the average for public sector organisations of 7.7 days. The Council has continued to provide a proactive approach to sickness management and has continually enhanced an active programme of well-being initiatives to encourage staff to take responsibility for their own health.

How the Council Manages Data

The Council has a responsibility to securely keep the personal data it holds. In 2023/24 there were 38 reported incidents which amounted to breaches of the Data Protection Act and seven near misses. Each case is investigated fully before the Council’s Data Protection Officer decides on the appropriate response. In 2023/24 three incidents were reported to the Information Commissioner – two of these resulted in no further action being required, and the third case is still ongoing. In addition, there were 2 breaches of data by third parties, both of which were reported to the Information Commissioner.

How the Council Manages Risk

The Council has a well embedded approach to risk management, and this is reflected in the Risk Management Framework. The framework was reviewed and updated in 2022/23 and approved by Audit Committee in July 2022. The framework details the Council’s approach to the management of corporate and operational risks and is available to all officers and Members.

The risk management process is coordinated by Mid Kent Audit and regularly reported to SMT and Policy and Resources Committee. Audit Committee also maintain an oversight of the process.

The last annual report on the Council’s risk management arrangements was taken to Audit Committee on 4 April 2024 and can be found here: Risk Management Report 2023/24.

Mid Kent Audit continues to provide guidance, advice and works across the Council to improve risk culture and understanding of effective risk management.

Annual Governance Statement

1. Scope of Responsibility

1.1 Swale Borough Council is responsible for ensuring that:

(i) its business is conducted in accordance with the law and proper standards;

(ii) public money is safeguarded and properly accounted for; and

(iii) public money is used economically, efficiently and effectively.

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

1.3 In meeting this obligation, the Council has a responsibility for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions, which includes arrangements for the management of risk.

1.4 The Council works to an updated Local Code of Corporate Governance based upon the 2016 Society of Local Authority Chief Executives and Senior Managers (SOLACE) Framework ‘Delivering Good Governance in Local Government’. There are no changes to the Code for this year but it notes that it is important that the Annual Governance Statement is kept up to date at time of publication. In March 2022 the Chartered Institute of Public Finance and Accountancy (CIPFA) Practice Oversight Panel issued an advisory note on governance. The note emphasises that all local authorities should reflect upon any weaknesses in governance identified and identify learning points to mitigate the risk of similar issues arising. In addition, CIPFA requires councils to disclose compliance with the CIPFA Financial Management Code and identify any outstanding areas for improvement or change.

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

1.6 The May 2023 elections resulted in control of the Council changing from a five party coalition comprising the Labour, Swale Independent Alliance, Liberal Democrats, Green and Independent groups to a three party coalition comprising the Labour, Swale Independent Alliance and the Green groups. The new administration brought a change in leadership with Councillor Tim Gibson taking the role of Leader with Councillor Mike Baldock as Deputy Leader. The administration has developed a new corporate plan that defines the Council’s priorities for the next few years.

2. Impact of external factors on the Council

2.1 The last four years has seen external factors have a significant impact on the activity and finances of the Council. The main issues have been Covid-19, the war in Ukraine, and a cost of living crisis in the UK.

2.2 Covid-19 was the most significant event this country has dealt with since the end of the Second World War. Government looked to councils to take a major role in the response primarily in supporting the most vulnerable in the local community. Activity has largely recovered to an expected level, the war in Ukraine and the cost of living crisis continue to have an impact, and it is difficult to differentiate the impact between all of these global events.

2.4 Staff continue to work from home on an average of three days a week. IT technology of the Council continues to support the hybrid approach to home and office based work and the previous decision to move all staff to work on laptops was highly beneficial. All councillors were also allocated a Swale laptop. In general staff adapted very well to working from home. This also proved beneficial during the summer of 2023 when staff were required to work from home again whilst refurbishment work at Swale house was completed to create an open plan hot-desking working environment. The aim of this project was to provide a welcoming workspace for those staff working from the office whilst creating dedicated space for those teams that required it. The outcome of the project has been well received by all staff and has freed up space for the council to provide office space for external tenants.

2.5 Council committee meetings are now operating to a normal calendar of meetings, with the ability for officers and members to join remotely, albeit without voting rights of in person attendance.

2.6 Reflecting on the experience with Covid a new delegation to the Chief Executive was agreed in January 2022, enabling her in emergencies or other circumstances in which the council or a committee cannot meet, to take decisions which would otherwise be taken by members. The decisions will have regard as fully as possible to the views of the members who would otherwise have made the decision. This delegation remains in place.

2.7 The council is continuing to manage the cost of living crisis and increased (albeit falling) inflation and interest rates. This has implications for both the cost of council services and cost of living for our residents.

3. The Purpose of the Governance Framework

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

3.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives, and therefore can only provide reasonable, and not absolute, assurance of effectiveness. The system of internal control is based on an ongoing process designed to:

(i) identify and prioritise the risks to the achievement of Council's policies, aims and objectives;

(ii) evaluate the likelihood of those risks being realised and the impact should they be realised; and,

(iii) manage them efficiently, effectively and economically.

3.3 The governance framework has been in place at the Council for the year ended 31 March 2024, and up to the date of approval of the Statement of Accounts.

4. The Council’s Governance Framework

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

Communicating the Council’s Vision

4.2 In March 2024 Council agreed a new Corporate Plan “Learning from the past, focusing on the future”. The plan is structured around five high level priorities, each containing a number of specific objectives. The priorities are:

Learning from the past, focusing on the future.

To enable our residents to live, work and enjoy their leisure time safely in our borough and to support community resilience.

Working with our businesses and community organisations to work towards a sustainable economy which delivers for local people.

To provide a cleaner, healthier, more sustainable and enjoyable environment, and to prepare our borough for the challenges ahead.

To aspire to be a borough where everyone has access to a decent home and improved health and wellbeing.

Working within our resources to proactively engage with communities and outside bodies to deliver in a transparent and efficient way.

4.3 Area Committee meetings continued in 2023/24. These are intended to have a local focus and to more widely engage councillors and the community, with four committees meeting quarterly.

Management of Resources

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

- (i) A medium term financial plan and annual budget process that ensures that financial resources are directed to the Council’s priorities.
- (ii) A financial monitoring process which closely monitors expenditure and income with detailed quarterly reporting to SMT and Policy & Resources Committee.
- (iii) Increasing the use of growth in Business Rate income achieved since Localisation in Business Rates was introduced in 2013/14.
- (iv) A capital strategy again directed at administration priorities in particular increasing the supply of affordable housing.

(v) An annual review of fees and charges.

Member and Officer Working Arrangements

4.5 Roles and responsibilities for governance are defined and allocated so that accountability for decisions made and actions taken are clear. In May 2022 the Council moved to a committee system, replacing the Cabinet system that was previously in place. There are five service committees, each chaired by a member of the administration and supported by a vice chair. The transition was informed by the work of a cross-party constitution review working group, who developed proposals for the detailed working of the new system.

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

4.7 The Constitution also includes both a Member and an Officer Code of Conduct, which describe and regulate the way in which members and officers should interact to work effectively together. Following on from the adoption of the LGA model for the Councillor Code of Conduct in 2022/23, Standards Committee in December 2023 recommended that Full Council agree the adoption of a Member/Officer protocol. (This was subsequently agreed at Full Council on 3 April 2024.)

4.8 The results from the Council’s LGA Peer Review that took place in 2023 were reported to the administration following the Election in May 2023. This was as a result of poor officer / member relations and a lack of trust of officers by members. The LGA Peer Review team identified that relationships had deteriorated on the 12 months since the initial Peer visit. One of the recommendations was to *Develop and embed joint values and behaviours for Swale BC members and officers*. The introduction of the joint protocol is the first step towards delivering this recommendation.

4.9 The Council’s Audit Committee has a remit consistent with those identified in the CIPFA publication ‘Audit Committees – Practical Guidance for Local Authorities’. During 2023/24 the Committee agreed that it is not required to have an independent person appointed to the committee for the next 4 year cycle of committees. The committee provides assurance to the Council on the effectiveness of its governance arrangements, risk management framework, and internal control environment. The Committee regularly reviews the internal audit work programme, the results of internal audit work, and management’s implementation of audit recommendations.

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

4.11 The Chief Executive (and Head of Paid Service) is accountable for the delivery of the Council’s services, the work of the Council’s employees, and the work undertaken for the Council by a variety of partners and contractors who deliver a wide range of services to the community. The role of Chief Executive is a permanent appointment, which requires the approval of the full Council and is currently held by Larissa Reed.

4.12 Section 5 of the Local Government and Housing Act 1989, as amended by paragraph 24 of schedule 5 to the Local Government Act 2000, requires the Council to designate one of its senior officers as the Monitoring Officer. During 2023/24 the council appointed Robin Harris as the Monitoring Officer, replacing David Clifford who left the council in April 2023, he is responsible for:

- (i) Ensuring that the Council acts and operates within the law. He has a duty to report to the whole Council if he believes any action or proposal has been or is likely to be contrary to the rule of law.
- (ii) Maintaining arrangements to support the Council’s functions and activities, including regular reviews of the Council's Constitution.
- (iii) Dealing with complaints against members under the Code of Conduct, supporting the Council's Standards Committee, and helping to promote and maintain high standards of conduct by Council members, officers, partners and contractors.
- (iv) Establishing and maintaining registers of interests, gifts and hospitality for members and officers.
- (v) Receiving reports and taking action under the Council's Confidential Reporting Code, which supports whistleblowing by staff.

4.13 The Director of Resources, as the Section 151 Officer appointed under the 1972 Local Government Act, carries overall responsibility for the financial administration of the Council. This role is held by Lisa Fillery. The Council’s governance arrangements relating to this role comply with those arrangements set out in the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

4.14 The role of Head of Internal Audit is assigned to the post of the Head of Audit Partnership - an arrangement covering the three Mid Kent Services Councils (Swale, Maidstone and Tunbridge Wells Borough Councils) and Ashford Borough Council. This role is responsible for the Council’s internal audit service, including drawing up the Internal Audit Strategy and related annual plan, and giving the annual Audit Opinion. The Council’s arrangements conform to Public Sector International Audit Standards, as independently assessed by CIPFA. The Standards are the “proper practices in relation to internal control” referenced in the Accounts and Audit Regulations 2015 (Amended). The Head of Audit Partnership’s operational responsibilities are set out in the Internal Audit Charter and are consistent with the independence requirements set out in the Standards. The Head of Audit Partnership role also conforms to the principles set out in the CIPFA Statement on the Role of Head of Internal Audit (2019).

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

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

Promoting Values and Upholding High Standards of Conduct and Behaviour

4.17 The Council has a Standards Committee to promote high standards of member conduct. Elected members have to agree to follow a Code of Conduct to ensure high standards in the way they undertake their duties. As referred to above, a new code of conduct was approved and members are now working to the LGA model.

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

4.19 As referred to above, a new Member/Officer protocol was developed by the Standards Committee during 2023/24 with consultation taking place with members, staff and the Trade Unions. Council adopted the Member/Officer protocol in April 2024 and work will be undertaken to embed the protocol and the code in the way Members and Officers undertake their duties.

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

(i) An Anti-Fraud and Anti-Corruption Strategy.

(ii) A Whistleblowing Policy.

(iii) Various HR policies regarding discipline of staff involved in such incidents.

(iv) Various procurement policies.

(v) A corporate complaints procedure exists to receive and respond to any complaints received.

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

(i) Registers of disclosable pecuniary and non-pecuniary interests;

(ii) Declarations of disclosable pecuniary and non-pecuniary interests at the start of each meeting in which discussions involve a matter in which a member has an interest;

(iii) Register of interests for officers;

(iv) Registers of gifts and hospitality for members and officers;

(v) An Equalities Scheme and Equal Opportunities Policies; and,

(vi) Member induction and ongoing member training.

Taking Informed and Transparent Decisions and Managing Risk

4.22 The Council’s decision-making processes are clear, open and transparent. The Council’s Constitution sets out how the Council operates and the processes for policy and decision-making which is now operated under a committee system. Agendas and minutes of all meetings are published on the Council’s website.

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

4.24 The Council has a well embedded approach to the management of risk and this is reflected in the Risk Management Framework which was reviewed, updated and approved by Audit Committee in July 2022. Policy and Resources committee receives regular reports on the Council's key risks, and the Audit Committee maintains an oversight of the process.

Developing the Capacity and Capability of Officers and Members

4.25 The Council recognises that the success of its business is built upon the knowledge, expertise, and commitment of its workforce. Development and retention of staff therefore remains a priority for the Council. The use of the Check-In system for staff performance and the quarterly workforce report provides key information on employees including well-being of staff to ensure that the system and support being provided meets the requirements of the organisation.

4.26 In response to the B-Heard survey a Leadership Development Programme was initiated from September 2022. The initial training programme ran until March 2023 with the Council senior officer leadership team embarking on a programme of development leadership training to make a Council fit for the future.

4.27 Following on from the work done with an external company and the Planning Team to deliver a process of cultural transformation, the team are continuing to make changes to improve the service, with new personnel at a senior level leading that change. A restructure of the planning service was initiated in November 2023 alongside a new head of service role, Head of Place. Joanne Johnson was confirmed as Head of Place from 1 April 2024.

4.28 Local government recruitment continues to be a concern across many services and a national project to look into this issue was launched in 2023/24. The council has been involved in this project across several areas that have been hard to recruit and a further project is in hand for our Legal team to address high level of vacancies and subsequent reliance on agency and locum staff.

4.29 The cross-party Member Development Working Group takes an overview of the approach to member development. Work is ongoing to update the member training plan in line with member requirements.

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

4.30 The Council engages with partners and stakeholders through various partnerships to ensure collaboration on strategic issues and joint responsibility for working together for the benefit of the residents of Swale.

4.31 During 2023/24 the council was one of the founding members of the LGA Special Interest Group on Internal Drainage Board Levy funding. Working with other levy paying local authorities to lobby for change in the way in which drainage boards are funded to avoid additional pressures on local government budgets.

4.32 The Council also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through appropriate networks. During 2023/24 work has been carried out to strengthen and empower the VCS to support our residents and communities further and more sustainably. It also disseminates and incorporates information about the Council within various e-bulletins and newsletters that go to these groups.

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

(i) Ensuring the Council provides an accessible website for delivering online services, providing a comprehensive information source and easy access to transparency data.

(ii) Transparent processes for undertaking consultations, public meetings, Council and Committee meetings with free public access to consultation documents and responses, meeting agendas, reports and minutes via the Council website.

(iii) Publishing and distributing ‘Inside Swale’ magazine to 64,000 households twice a year to provide a trusted source of Council news and information.

(iv) Comprehensive use of official social media and email bulletins to promote the Council services and engage with stakeholders, responding to local peoples’ comments, questions and concerns online.

(v) Providing an ‘Ask the leader’ channel to enable any stakeholder the opportunity to engage directly with the leadership, with all questions and responses openly published on the Council website.

Outcomes and value for money

4.34 Much of this document is concerned with processes for governance and promoting internal control. But it is essential to consider to what extent do the organisation’s governance arrangements support the achievement of outcomes and delivery of value for money.

4.35 From a financial perspective the 2023/24 outturn is a reduction in the planned use of reserves of £813,000 (the original budget requirement was £2.045m). The low level of Revenue Support Grant is highly disadvantageous to a Council such as Swale with both a low absolute level of Council tax, a relatively low Council tax base and high levels of need. Given the highly constrained revenue budget the administration has continued to use one off funds to pump-prime the achievement of their priorities. The savings proposals agreed for the 2023/24 budget have in the main been delivered. The except to this is the planned reduction is spend on homelessness. Despite the team’s success in reducing the number of homelessness placements during the year, the increase in cost of nightly let accommodation has meant that the savings are not achievable. Other reported overspends in services are not resulting from savings proposals that have not been achieved.

4.36 Progress on the new Local Plan had been paused awaiting further clarity and direction from central government in anticipation of further changes being introduced to policy, guidance and legislation as a result of the Environment Act and the Levelling Up and Regeneration Bill and changes to the National Planning Policy Framework. Changes to the NPPF came to pass in December 2023, and a reversal of the pause has been recommended to Policy and Resources Committee (by the Planning and Transportation Policy Working Group, in March 2024), alongside a Local Development Scheme.

4.37 Despite external factors previously discussed the Council's work in the year once again shows good progress has been made across a range of administration priorities:

(i) Constitutional reform – An in year review of the Committee system that was introduced from May 2022 has reduced the number of committee meetings to be held in the coming civic year (this is also in response to a recommendation from the LGA peer review). Area Committees continued during the year with a more local focus.

(ii) Local housing company - Work is ongoing to revise the initial business plans that were produced pre Covid.

(iii) Homelessness and rough sleeping - Transformation work has been undertaken within the service and resources invested both in staffing and property acquisition to reduce the financial burden to the Council of meeting our statutory obligations.

(iv) Climate change emergency action plan.

(v) Improvements to town centres, coastal amenities, open spaces, visitor attractions and heritage public realm in the borough.

(vi) Support to community projects across the borough.

(vii) Spirit of Sittingbourne project for Sittingbourne delivered, with work ongoing to let the remaining vacant units within the site.

(viii) Refurbishment work largely completed at Swale House and the work on Master's House now included within the LUF scheme.

(ix) Sheerness Revival LUF project year 1 delivery in progress.

4.38 The last week of 2023/24 saw the launch of the district's new waste contract. This involved the transition to a new supplier, the acquisition of new vehicles, the introduction of new reporting tools and the transfer of staffing to the new supplier. The first 8 weeks of the contract have seen some bedding in issues that were to be expected in a change in contract of this scale and complexity.

4.39 Extensive communications were put in place with residents to inform them of the proposed changes to their waste collection days, with ongoing updates continuing on our website and social media pages.

4.40 Regular meetings are still being held with senior administration members and wider group leaders to keep members updated on the progress of the introduction of the new contract.

4.41 The 2024/25 budget position had looked extremely difficult with significant pressures in service provision arising from the procurement of a new waste contract, increased costs for homelessness temporary accommodation and pressures arising from cost of living increases. Early engagement with the member budget working group helped focus the areas for Heads of Service to propose savings that helped to offset some of these pressures. Confirmation of a further year of government grant reduced the reliance on reserves to balance the budget, however a last minute loss in funding to support our waste contract increased that position again. The Council still faces a very significant funding gap over the medium term and is unlikely to benefit from significant extra Government financial support, the uncertainty of which for district councils threatens both the delivery of core business and administration priorities. A savings plan will be included in the budget preparation and Medium Term Financial Plan (MTFP) work for 2025/26 as agreed by the administration during the last budget round.

CIPFA Financial Management Code

4.42 The CIPFA Financial Management (FM) Code “is designed to support good practice in financial management and to assist local authorities in demonstrating their financial sustainability. For the first time the FM Code sets out the standards of financial management for local authorities”.

4.43 For the 2023/24 accounts the Council is required to disclose its compliance with the FM Code and identify any outstanding areas for improvement or change. Given the financial crisis all councils have faced due to the external factors referenced above there has been less attention paid to the Code. However, Swale compares well against the Code as most standards are built into our business as usual processes. As in previous years the Chief Executive and Director of Resources will be leading on ensuring that the financial sustainability of the authority in the longer term is addressed in the future budget and medium term financial planning.

5. Review of Effectiveness

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

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

(i) The work of the Audit Committee.

(ii) The work of the Standards Committee.

(iii) The operation of the Council’s performance management frameworks, including an Annual Report and the wider approach to risk management.

(iv) The work of Internal Audit as an assurance function that provides an independent and objective opinion to the Council on its control environment.

(v) The external auditor’s opinion report on the Council’s financial statements, and his conclusion on whether the Council has put in place proper arrangements to secure efficiency and effectiveness in its use of resources (the Value for Money conclusion).

(vi) The roles of the Council’s Statutory Officers.

(vii) The corporate complaints procedure.

(viii) The anti-fraud and corruption and whistleblowing framework.

5.3 To further support the review of its effectiveness, the council engaged in a LGA corporate peer review in 2023. The aims of the review were as follows:

(i) Assess the general health of the council.

(ii) Request specific feedback on the following:

a) The number, input levels and scrutiny function of the new committee structure.

b) Whether we are doing the right things to ensure members and officers work well together.

c) How can we achieve the savings required whilst still delivering member priorities.

(iii) Positive recommendations for a new administration.

(iv) Provide constructive challenge where required.

5.4 The feedback from the Peer Review was reported to the Council following the May 2023 election in order to inform the new administration, and a review of progress took place in March 2024.

5.5 The Peer Review highlighted 10 key recommendations for the council which resulted in an action plan. The recommendations are

- Recommendation 1 - Work at pace to develop a new Corporate Plan that has a clear and well defined strategic vision with strategic priorities, owned by members and clearly communicated to staff, residents and partners.

- Recommendation 2 - Develop and embed joint values and behaviours for Swale members and officers.

- Recommendation 3 - Develop a robust and detailed savings plan, ensuring clear ownership of projects/plans by the administration and officers.

- Recommendation 4 - Continue to work on the member/officer protocol and work to improve member/officer relationships.

- Recommendation 5 - Develop a comprehensive induction and support programme for members which includes the statutory roles of the Council, budget responsibilities, and building internal/external positive relationships.

- Recommendation 6 - Conduct a review of committee meetings including the number of meetings and capacity to support their frequency. Test further opportunities for wider scrutiny and challenge within the committee system.

- Recommendation 7 - Maximise your links with small and big businesses. Tap into their work on corporate social responsibility activity, employment opportunities and how these can support your local priorities.

- Recommendation 8 - Prioritise work on developing your communications and engagement strategy.

- Recommendation 9 - Celebrate and communicate the council’s successes.

- Recommendation 10 - Closely monitor the impact of the 34-hour week, considering the impact on the organisation and residents.

5.6 Full details of the action plan can be found here LGA Peer Challenge Action Plan (swale.gov.uk) and progress on delivery of the recommendations will be reported to members through 2024/25.

5.5 In the 2022/23 Annual Governance Statement six main areas for attention moving forward were identified. The latest position on these is as follows:

Issue	**Updated position**
Produce a robust savings plan to support the delivery of a balanced budget.	The 2024/25 balanced budget included savings proposals of £2.4m plus a further £733k contribution from reserves. There are ongoing pressures for future years including uncertainty over local government funding, meaning that further savings plans need to be developed to deliver a balanced position for the future.
Develop a member-officer protocol to support good governance.	The member code of conduct was reviewed and a new code, in line with the LGA model, was adopted in February 2023. Work is ongoing to embed the code of conduct. Further to this, a member/officer protocol went through the standards committee in 2023 and was adopted by Council in April 2024. Work is ongoing to embed the new code of conduct and member/officer protocol in the new civic year.
Delivery of the new senior management structure including the appointment of a new Monitoring Officer.	The new structure, including a new Monitoring Officer, was implemented in April 2023.
Delivery of the Sheerness Revival LUF project in line with agreed timescales and government reporting requirements.	The Sheerness Revival project is progressing well. However, delays to the notification of funding has meant that the project is behind the original timescales. The project team are working closely with government, ensuring they are aware of

	timescales and raising concerns at the appropriate times. Permission to deliver through until October 2025 has been secured, reflecting the time period lost due to notification delays.
Planning and implementation of the new waste contract in March 2024.	The new waste contract began in March 2024. There has been a period of instability in service delivery as new ways of working are embedded. This has been resource intensive, and business continuity plans have been exercised.
Develop an action plan to deliver on findings received from the Peer Review.	An action plan was developed following feedback from the Peer Review, and work is progressing towards the agreed actions. Some have been completed, whilst others remain work in progress at this point in time.

6. Significant Governance Issues

6.1 There were no significant governance weaknesses in 2023/24.

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

- (i) Produce a robust savings plan to support the delivery of a balanced budget.
- (ii) Embed the code of conduct and member-officer protocol to support good governance.
- (iii) Delivery of the Sheerness Revival LUF project in line with agreed timescales and government reporting requirements.
- (iv) Planning and implementation of the new waste contract from March 2024.
- (v) Continue to participate in the LGA special Interest group on Internal Drainage Board Levy funding to address the pressure on local authorities.

Agreed:

Cllr Tim Gibson	Larissa Reed
Leader of the Council	**Chief Executive**

Auditor’s Report

Independent auditor's report to the members of Swale Borough Council

Grant Thornton will be carrying out an audit on these accounts and reporting to the Audit Committee in due course.

Statement of Responsibilities

The Council's Responsibilities

The Council is required to:

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

The Director of Resources' Responsibilities

As the Director of Resources, I am the S151 Officer and am responsible for the preparation of the Council's 2023/24 Statement of Accounts in accordance with proper practices as set out in the Chartered Institute of Public Finance and Accountancy / Local Authority (Scotland) Accounts Advisory Committee Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, I have:

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

I confirm that the accounts present a true and fair view of the financial position of the Council at the reporting date and its income and expenditure for the year ended 31 March 2024.

Lisa Fillery CPFA **Date: 31 May 2024**

Director of Resources

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2023/24 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2024 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 at the meeting of the Audit Committee.

Date:

Chair of the Audit Committee

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

2022/23 Restated						2023/24				
	Adjustments for:						Adjustments for:			
Net exp charged to the General Fund	**Capital**	**Pensions**	**Other**	**Net exp in the CIES**		**Net exp charged to the General Fund**	**Capital**	**Pensions**	**Other**	**Net exp in the CIES**
£'000	**£'000**	**£'000**	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
791	0	78	9	878	Chief Executive	673	0	(10)	3	666
297	0	30	1	328	Communications	312	0	(5)	92	399
1,160	3	55	22	1,240	Elections, Democratic Services and Information Governance	1,077	3	(8)	73	1,145
5,660	182	345	59	6,246	Housing & Community Services	5,180	39	(53)	106	5,272
1,182	0	172	52	1,406	Planning	1,087	0	(21)	30	1,096
6,662	1,171	191	35	8,060	Environment & Leisure	7,655	968	(27)	121	8,717
681	2,365	97	272	3,415	Regeneration & Economic Development	(302)	(393)	(13)	2,394	1,686
846	(70)	74	678	1,527	Finance & Procurement	769	7	(10)	788	1,554
1,099	0	151	89	1,340	Revenues & Benefits	337	0	(18)	(127)	192
658	9	0	(81)	587	Environmental Health	572	9	0	23	604
1,318	27	0	(484)	861	Information Technology	1,277	0	0	(255)	1,022
135	0	0	0	135	Internal Audit	128	0	0	0	128
404	0	3	22	429	Human Resources	406	0	(1)	22	427
430	0	127	(41)	516	Legal	618	0	(17)	(184)	417
660	0	0	(676)	(17)	Corporate Items	3,340	15	(21)	(3,457)	(123)
21,983	**3,688**	**1,323**	**(43)**	**26,951**	**Cost of Services**	**23,129**	**648**	**(204)**	**(371)**	**23,202**
(22,012)					Financed by Council Tax, Business Rates & Grants	(23,129)				
(29)					**(Surplus) in Year**	**0**				
					General Fund Balance:					
(3,074)					As at 1 April	(3,103)				
(29)					Deficit/(surplus) in Year	0				
(3,103)					**As at 31 March**	**(3,103)**				

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

The 2022/23 figures have been restated as a result of a reorganisation in 2023/24. This has resulted in a change to our service structure as reported to Policy and Resources Committee. The change is as follows:-

2022/23 Original						2022/23 Restated				
	Adjustments for:						Adjustments for:			
Net exp charged to the General Fund	Capital	Pensions	Other	Net exp in the CIES		Net exp charged to the General Fund	Capital	Pensions	Other	Net exp in the CIES
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
232	0	25	0	257	Chief Executive	791	0	79	8	877
1,707	3	102	31	1,844	Policy, Governance, Transformation & Customer Services	0	0	0	0	0
178	0	21	0	199	Director of Regeneration	0	0	0	0	0
131	0	15	0	147	Director of Resources	0	0	0	0	0
0	0	0	0	0	Communications	297	0	30	1	329
0	0	0	0	0	Elections, Democratic Services and Information Governance	1,160	3	55	22	1,241
2,248	**3**	**164**	**31**	**2,446**		**2,248**	**3**	**164**	**31**	**2,446**

The left hand column for each year shows the final spend for the year as reported to Policy and Resources Committee. The middle columns show changes that have to be made in order to report the Council's expenditure on an accounting basis, which is shown in the column on the right, which then appears in the next statement – the Comprehensive Income & Expenditure Statement as the Cost of Services.

Column Explanations

Capital – includes the accounting cost of depreciation of assets or the change in valuation of assets as these are not charged to the taxpayer;

Pension – shows the cost of pensions based on the accounting standard IAS 19 rather than the actual payments made to the Kent Pension Fund;

Other – reporting differences between outturn and the Comprehensive Income and Expenditure statement, plus taking out Corporate Items which are not in Comprehensive Income & Expenditure Statement Cost of Services, e.g. movement to/from reserves.

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

The table below reconciles the Cost of Services to the Deficit on the Provision of Services on the Comprehensive Income & Expenditure Statement:

2022/23						2023/24				
	Adjustments for:						Adjustments for:			
Net exp charged to the General Fund	Capital	Pensions	Other	Net exp in the CIES		Net exp charged to the General Fund	Capital	Pensions	Other	Net exp in the CIES
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
21,983	3,687	1,323	(42)	26,951	Cost of Services	23,129	648	(204)	(371)	23,202
(69,330)	(317)	1,032	48,101	(20,514)	Other (Income) & Expenditure	(29,332)	562	344	2,430	(25,996)
(47,347)	**3,370**	**2,355**	**48,059**	**6,437**	**(Surplus)/Deficit on the Provision of Services**	**(6,203)**	**1,210**	**140**	**2,059**	**(2,794)**
47,318	(3,370)	(2,355)	(48,059)	(6,466)	Adjustments from Accounting Basis	6,203	(1,210)	(140)	(2,059)	2,794
(29)	**0**	**0**	**0**	**(29)**	**(Surplus) in Year**	**0**	**0**	**0**	**0**	**0**

Comprehensive Income & Expenditure Statement – Why the Council’s Resources Changed

2022/23 Restated					2023/24		
Gross Exp £'000	Gross Income £'000	Net Exp £'000		Note	Gross Exp £'000	Gross Income £'000	Net Exp £'000
878	0	878	Chief Executive		666	0	666
329	(1)	328	Communications		403	(4)	399
1,242	(2)	1,240	Elections, Democratic Service and Information Governance		1,326	(181)	1,145
13,404	(7,158)	6,246	Housing & Community Services		12,696	(7,424)	5,272
3,252	(1,846)	1,406	Planning		3,139	(2,043)	1,096
13,923	(5,863)	8,060	Environment & Leisure		15,438	(6,721)	8,717
4,859	(1,444)	3,415	Regeneration & Economic Development		2,567	(881)	1,686
1,528	(0)	1,527	Finance & Procurement		1,286	268	1,554
34,677	(33,337)	1,340	Revenues & Benefits		33,306	(33,114)	192
625	(39)	587	Environmental Health		727	(123)	604
865	(4)	861	Information Technology		1,030	(8)	1,022
135	0	135	Internal Audit		128	0	128
437	(8)	429	Human Resources		433	(6)	427
1,793	(1,278)	516	Legal		1,918	(1,501)	417
0	(17)	(17)	Corporate Items		0	(123)	(123)
77,947	**(50,996)**	**26,951**	**Sub Total Cost of Services**		**75,063**	**(51,861)**	**23,202**
			Other Operating Expenditure				
906	0	906	Drainage Board levy		952	(41)	911
1,661	0	1,661	Parish and Town Council precepts		1,730	0	1,730
505	(130)	375	(Gain)/loss on disposal of assets	14	1,896	0	1,896
4,500	(4,044)	456	**Financing & Investment**	11	1,711	(4,405)	(2,694)
			Taxation and Non-Specific Grant Income and Expenditure				
0	(10,868)	(10,868)	Council Tax		0	(11,368)	(11,368)
0	(21,781)	(21,781)	Business Rates income		0	(23,786)	(23,786)
0	(3,448)	(3,448)	S31 Business Rate Relief Grants		0	(8,704)	(8,704)
12,912	0	12,912	Tariff & levy Business Rates		18,520	0	18,520
4,485	(2,582)	1,903	Business Rates Kent Pool		3,051	(1,767)	1,284
0	(120)	(120)	Revenue Support Grant		0	(317)	(317)
0	(1,407)	(1,407)	New Homes Bonus		0	(1,102)	(1,102)
0	(1,103)	(1,103)	Other grants and contributions		0	(2,366)	(2,366)
102,916	**(96,479)**	**6,437**	**(Surplus)/Deficit on Provision of Services**		**102,923**	**(105,717)**	**(2,794)**
		(4,465)	Net surplus on revaluation of non-current assets	18			(1,178)
		(49,554)	Re-measurement of net defined pension liability	9			(2,265)
		235	Receipts from long-term debtors	19			34
		(47,347)	**Total Comprehensive (Income) and Expenditure**				**(6,203)**

This shows the cost of providing services on an accounting basis resulting in net income of £6.203 million, which increases the value of the Council’s assets. The cost of providing services funded from taxation is shown in the Movement in Reserves Statement.

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

The 2022/23 figures have been restated as a result of a reorganisation in 2023/24. This has resulted in a change to our service structure as reported to Policy and Resources Committee. The change is as follows:-

2022/23 Original				**2022/23 Restated**		
Gross Exp	**Gross Inc**	**Net Exp**		**Gross Exp**	**Gross Inc**	**Net Exp**
£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
257	0	257	Chief Executive	877	0	877
1,846	(3)	1,844	Policy, Governance, Transformation & Customer Services	0	0	0
199	0	199	Director of Regeneration	0	0	0
147	0	147	Director of Resources	0	0	0
0	0	0	Communications	330	(1)	329
0	0	0	Elections, Democratic Services and Information Governance	1,243	(2)	1,241
2,449	**(3)**	**2,446**		**2,449**	**(3)**	**2,446**

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

	General Fund Balance £'000	Revenue Earmarked Reserves £'000	Total General Fund £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Total Usable Reserves £'000	Unusable Reserves £'000	Total Council Reserves £'000
2023/24								
Opening Balance	(3,103)	(15,130)	**(18,233)**	(2,946)	(713)	**(21,892)**	**(35,983)**	**(57,875)**
Reclassification	0	0	0	903	(903)	0	0	0
Total Comprehensive Expenditure & (Income) 2023/24	(2,794)	0	**(2,794)**	0	0	**(2,794)**	**(3,409)**	**(6,203)**
Adjustments between accounting basis and funding basis (note 46)	1,055	0	**1,055**	1,651	(148)	**2,559**	**(2,559)**	**(0)**
Transfers (to)/from earmarked reserves (note 17)	1,739	(1,739)	**0**	0	0	**0**	**0**	**0**
(Increase)/decrease in year	**0**	**(1,739)**	**(1,739)**	**2,554**	**(1,051)**	**(235)**	**(5,968)**	**(6,203)**
Balance at 31 March 2024	**(3,103)**	**(16,869)**	**(19,971)**	**(392)**	**(1,764)**	**(22,127)**	**(41,951)**	**(64,078)**
2022/23								
Opening Balance	(3,074)	(23,741)	**(26,814)**	(2,843)	(511)	**(30,169)**	**19,641**	**(10,528)**
Total Comprehensive Expenditure & (Income) 2022/23	6,437	0	**6,437**	0	0	**6,437**	**(53,784)**	**(47,347)**
Adjustments between accounting basis and funding basis (note 46)	2,145	0	**2,145**	(103)	(202)	**1,840**	**(1,840)**	**0**
Transfers (to)/from earmarked reserves (note 17)	(8,611)	8,611	**0**	0	0	**0**	**0**	**0**
(Increase)/decrease in year	**(29)**	**8,611**	**8,582**	**(103)**	**(202)**	**8,276**	**(55,624)**	**(47,347)**
Balance at 31 March 2023	**(3,103)**	**(15,130)**	**(18,233)**	**(2,946)**	**(713)**	**(21,892)**	**(35,983)**	**(57,875)**

The Movement in Reserves Statement (MIRS) shows the movements in the year for the Council’s usable reserves, (those that can be used for future funding of services), and unusable reserves (there to deal with accounting entries only). It begins by showing the effect of the previous statement – the Comprehensive Income & Expenditure Statement, and then reverses out accounting entries to show the balance on each of the reserves at the end of the financial year. In summary, there was an increase in the Council’s usable reserves of £0.235 million resulting in a balance of £22.127 million.

Balance Sheet – The Council's Resources

31 March 2023			Note	31 March 2024	
£'000	£'000			£'000	£'000
	89,953	**Total Property, Plant and Equipment**	24		97,041
100		Assets Held for Sale	29	100	
2,330		Heritage Assets	27	2,329	
4,173		Investment Properties	28	3,896	
41		Intangible Assets		26	
2,863		Long-Term Investments	42	2,752	
2,007		Long-Term Debtors	39	1,942	
	11,513				**11,045**
	101,466	**Total Long-Term Assets**			**108,086**
		Current Assets			
1		Inventories		0	
19,889		Short-Term Debtors	40	26,304	
5,166		Cash and Cash Equivalents	41	12,333	
	25,055	**Total Current Assets**			**38,637**
	126,521	**Total Assets**			**146,723**
		Current Liabilities			
(24,941)		Short-Term Creditors	34	(36,256)	
0		Cash and Cash Equivalents	41	(1,750)	
(10,000)		Short-Term Loans	42	(5,000)	
(46)		S106 Deferred Revenue Receipts	35	(45)	
(1,971)		Revenue Grant Receipts in Advance	12	(1,254)	
(3,162)		Provisions	37	(992)	
	(40,121)	**Total Current Liabilities**			**(45,297)**
	86,401	**Total Assets less Current Liabilities**			**101,425**
		Long-Term Liabilities			
(60)		Long-Term Creditors	33	(60)	
0		Long-Term Loans	42	(5,000)	
(13,924)		Liability Related to Defined Benefit Pension Scheme	9(f)	(10,749)	
(12,753)		Capital Grants and Contributions	36	(20,147)	
(90)		S106 Deferred Revenue Receipts	35	(46)	
(1,698)		Provisions	37	(1,344)	
	(28,526)	**Total Long-Term Liabilities**			**(37,347)**
	57,875	**Net Assets**			**64,079**
		Financing:			
		Unusable Reserves			
(31,944)		Revaluation Reserve	18	(32,695)	
(6)		Deferred Capital Receipts Reserve		(6)	
(18,173)		Capital Adjustment Account	19	(20,492)	
(190)		Collection Fund Adjustment Account	20	18	
270		Accumulated Absences Account	22	227	
13,924		Pensions Reserve	23	10,749	
137		Pooled Fund Adjustment Account	21	248	
	(35,983)	**Total Unusable Reserves**			**(41,951)**
	(21,892)	**Total Usable Reserves**	MIRS		**(22,127)**
	(57,875)	**Total Reserves**			**(64,079)**

Balance Sheet – The Council’s Resources

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

There was an increase in the value of the Council’s net assets in 2023/24 which was mainly due to revaluation increases in property, plant and equipment. There was also a net improvement in short term assets and liabilities, but largely due to a replacement loan being taken out on a long term basis, creating an increase in long term liabilities.

The usable reserves are detailed on the Movement in Reserves Statement and can be used to fund expenditure or reduce local taxation.

The movement in cash that has resulted in the Cash and Cash Equivalents balance of £10.582m shown above is detailed in the Cash Flow Statement.

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

Lisa Fillery CPFA **Date: 31 May 2024**

Director of Resources

Cash Flow Statement – Movement in Council's Resources in Cash

2022/23 £'000		Note	2023/24 £'000
(6,437)	Net surplus/(deficit) on the provision of services		2,794
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
1,518	Depreciation		1,553
1,892	Revaluation gains/impairments & downward valuations		(886)
565	Adjustments for movements in fair value of investments classified as Fair Value through Profit & Loss a/c		111
10	Movement in debt impairment		16
(17,220)	Movement in creditors		11,169
(1,689)	Movement in debtors		(5,334)
874	Movement in pension liability		(910)
446	Movement in provisions		(2,524)
506	Carrying amount of assets held for sale, sold or derecognised		2,155
(143)	Investment property valuation movements & upward revaluations		235
24	Other movements		15
(13,217)			**5,600**
(3,785)	Adjustment for items that are investing or financing activities		(4,075)
(23,439)	**Net cash inflow/(outflow) from Operating Activities**		**4,319**
	Investing Activities		
(3,659)	Purchase of property, plant & equipment, investment property & intangible assets		(2,431)
(146,434)	Purchase of short-term investments		(59,505)
(745)	Other payments for investing activities		(554)
0	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		131
154,034	Proceeds from short-term investments		59,505
4,219	Other receipts from investing activities		9,237
7,415	**Net cash inflow/(outflow) from Investing Activities**		**6,383**
	Financing Activities		
10,000	Movement on short and long-term borrowing		10,000
5,588	Council Tax and Business Rates adjustments		(5,286)
(10,000)	Repayment of short-term borrowing		(10,000)
5,588	**Net cash inflow/(outflow) from Financing Activities**		**(5,286)**
(10,436)	**Net increase/(decrease) in Cash and Cash Equivalents**		**5,416**
15,602	Cash and cash equivalents at 1 April	41	5,166
5,166	Cash and cash equivalents at 31 March	41	10,582
(10,436)			**5,416**

The Cash Flow Statement shows the changes in cash and cash equivalents during the reporting period and how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

The figures for 2022/23 have been restated to split out adjustments for movements in fair value of investments classified as Fair Value through Profit & Loss.

The cash flow for operating activities includes £1,175,000 for interest received (£705,000 in 2022/23) and £240,000 for interest paid (£90,000 in 2022/23) due to increased interest rates combined with a consistently low level of loans.

Accounting Policies

1. Accounting Policies – General Principles

The Statement of Accounts summarises the Council’s transactions for the 2023/24 financial year and its position at the year-end of 31 March 2024. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015, which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise of the Code, supported by IFRS and other guidance. The appropriate note details the critical judgements and estimations about the future made when applying the Accounting Policies.

(a) Accounting Convention

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

The accounts are prepared on a going concern basis reflecting the economic and statutory environment in which local authorities operate. These provisions confirm that as authorities cannot be created or dissolved without statutory prescription it is only appropriate for their financial statements to be prepared on a going concern basis. The going concern assumption under the Code is therefore drawn up to assume that a local authority’s services will continue to operate for the foreseeable future.

The accounting concepts are supported by the fundamental qualitative characteristics of relevance, faithful representation and materiality and four enhancing qualitative characteristics of comparability, verifiability, timeliness and understandability. Where a particular accounting treatment is prescribed by legislation, then the treatment prevails even if it conflicts with one or other of the above accounting concepts. In the unlikely event of this arising, a note to that effect will be included in the accounts. The Code only requires local authority financial statements to disclose information which is material.

(b) Accruals and Revenue Recognition

In accordance with IFRS 15, activity is accounted for in the year that it takes place, not simply when cash payments are made or received and relates to activity on all of the Council’s functions including non-exchange transactions e.g. Council Tax and Business Rates. In particular:

- the Council recognises income when or as control over the goods or services is transferred to the customer or service recipient and the income reflects the consideration expected for those goods or services;
- revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that the economic benefits or service potential associated with the transaction will flow to the Council;
- supplies are recorded as expenditure when they are consumed;
- expenses in relation to services received, including those from employees, are recorded as expenditure when the services are received rather than when payments are made;
- revenue relating to such things as council tax, business rates, etc. are measured at

the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions and there can be no difference between the delivery and payment dates;

- interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract;
- accruals are recognised where the value exceeds £1,000;
- 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 Cost of Services for the income that might not be collected;
- exceptions are utility bills, insurance premiums and income from car parking, which are, in the main, charged or credited to the year in which billed, rather than be apportioned between years as the effect of adjusting for opening and closing balances would not be material to the total of transactions for the year. This policy also covers larger payments credited to the year in which they were billed and not apportioned between years; and,
- the annual review of the impairment allowance for non-payment of debt will take into account the prevailing economic climate.

2. Accounting Policies

(a) Capital Receipts

When an asset is disposed of or de-commissioned, the carrying amount and the receipt from the sale are charged to the Comprehensive Income & Expenditure Statement. The receipt is required to be credited to the usable capital receipts reserve and can only be used to finance capital expenditure or set aside to reduce the Council's borrowing requirement.

(b) Cash and Cash Equivalents

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

(c) Employee Benefits – Costs

Termination benefits are amounts payable due to a decision by the Council to terminate an officer’s employment before the normal retirement date, or an officer’s decision to accept voluntary redundancy. They are charged on an accruals basis to the appropriate service or, where applicable, to the Comprehensive Income & Expenditure Statement at the earlier of when the Council can no longer withdraw the offer of those benefits or when the Council recognises costs for a restructuring. Where termination benefits involve the enhancement of pensions, statutory provisions require that the General Fund is charged with the amount payable by the Council to the Kent 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 Kent Pension Fund and pensioners and any such amounts payable but unpaid at the year-end.

(d) Employee Benefits – Post-Employment Benefits

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

Liabilities are discounted to their value at current prices, using a discount rate of 4.9%. The discount rate is calculated using the annualised Merrill Lynch AA-rated corporate bond curve, chosen to meet the requirements of IAS 19 and with consideration of the estimated duration of employer’s liabilities.

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

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

The Fund’s Actuary determines employers’ contributions to the Pension Fund on a triennial basis. The last actuarial valuation took place on 31 March 2022 and the change in contribution rates as a result of that valuation took effect from 1 April 2023.

(e) Estimation Techniques

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

(f) Financial Instruments

Financial instruments are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of the instrument. However, “other debtors” are an exception as they are not recognised when the Council becomes committed to supply the goods or service but when the ordered goods or services have been delivered or rendered. Similarly, “other creditors” are recognised when the ordered goods or services have been received.

Financial assets are classified as one of:

- fair value through profit and loss – this category includes:
    - Money Market Funds (MMFs) and are initially measured and carried in the Balance Sheet at fair value; and
    - Investment in Church, Charities and Local Authorities (CCLA) Property Fund carried at fair value at 31 March 2024.
- amortised cost – this category includes debtors and are initially measured at fair value and carried in the Balance Sheet at their amortised cost.

The fair value of a financial instrument on initial recognition is generally the market price. Financial liabilities are measured in the Balance Sheet at amortised cost.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default on their obligations. No impairment is calculated for assets which are classified as fair value through profit and loss as the risk is reflected in the movement in their fair value.

The reconciliation of amounts based on accounting regulations charged to the Comprehensive Income & Expenditure Statement to the net charge required by statute against the General Fund balance, is accounted for by a transfer to or from the Pooled Fund Adjustment Account in the Movement in Reserves Statement.

(g) Government Grants and Other External Contributions

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

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

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

Receipts defined as grants and contributions for which conditions have not been satisfied are included on the Balance Sheet as creditors. When conditions are satisfied, grants specific to a service will be credited against that service expenditure line. General grants, e.g. Revenue Support Grant and the Council’s share of business rates from the Collection Fund are credited and disclosed separately in the Comprehensive Income & Expenditure Statement under Taxation and Non-Specific Grant Income. Where capital grants are credited to the Comprehensive Income & 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.

(h) Heritage Assets

A Heritage Asset is a tangible or intangible asset that is intended to be preserved in trust for future generations because of its historical, artistic, scientific, technological, geophysical or environmental qualities and is held and maintained principally for its contribution to knowledge and culture. Heritage assets are carried at valuation (the majority are based on insurance valuations) rather than fair value, reflecting the fact that exchanges of heritage assets are uncommon.

(i) Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled through custody or legal rights. An intangible asset is initially measured at cost and is not subject to revaluation. It is, however, subject to amortisation over its ‘useful’ life, which for computer software has been assessed as up to a maximum of seven years.

(j) Investment Property

Investment properties are those that are used primarily to earn rentals and/or for capital appreciation. They are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between parties at arm’s length (i.e. market value, the amount that would be paid for the asset in its highest and best use). Properties are not depreciated but are revalued annually according to market conditions at the year-end and any gains or losses on revaluation or disposal are taken to the Comprehensive Income & Expenditure Statement and are reversed out of the General Fund balance via the Movement in Reserves Statement and posted to the Capital Adjustment Account.

(k) 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 are accounted for under this policy where fulfilment of the arrangement is dependent on the use of specific assets.

The Council as Lessee

i) Finance Leases

Property, plant and equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at 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 Council 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.

ii) 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.

The Council as Lessor

i) Finance Leases

Where the Council grants a finance lease over a property or an item of plant or equipment, the relevant asset is written out of the Balance Sheet as a disposal. At the commencement of the lease, the carrying amount of the asset in the Balance Sheet (where 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. A gain, representing the Council's net investment in the lease, is 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), matched by a lease (long-term debtor) asset in the Balance Sheet.

Lease rentals receivable are apportioned between:

- a charge for the acquisition of the interest in the property – applied to write down the lease debtor (together with any premiums received), and
- finance income (credited to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement).

The gain credited to the Comprehensive Income and Expenditure Statement on disposal is not permitted by statute to increase the General Fund Balance and is required to be treated as a capital receipt. Where a premium has been received this is posted out of the General Fund Balance to the Capital Receipts Reserve in the Movement in Reserves Statement. Where the amount due in relation to the lease asset is to be settled by the payment of rentals in future financial years, this is posted out of the General Fund Balance to the Deferred Capital Receipts Reserve in the Movement in Reserves Statement. When the future rentals are received, the element for the capital receipt for the disposal of the asset is used to write down the lease debtor. At this point, the deferred capital receipts are transferred to the Capital Receipts Reserve. The written-off value of disposals is not a charge against the Council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are therefore appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

ii) Operating leases

Where the Council 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. Where the impact would be material, 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 term are charged as an expense over the lease term, on the same basis as the rental income.

(l) Long-Term Liabilities

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

(m) Material Items of Income and Expense

Material items of income and expense are required by the Code to be shown separately within the Statement of Accounts. The Council has decided that for this purpose an item is judged to be financially material if it is in excess of £1.5m.

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

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

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

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 authority does not capitalise borrowing costs incurred while assets are under construction.

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

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

- infrastructure, assets under construction and community assets are valued at historic cost, net of depreciation (where applicable), and

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

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

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

The value of any surplus property is measured at its fair value with the purpose being to return the highest possible valuation, the estimated use of the property being taken as that which best supports this highest value. Surplus property valuations are based on using pricing information derived from an accessible market with the highest volume and level of activity for property transactions available. The valuer will use one or several measurements and/or factors to determine the value of the property, some of which may be more significant in assessing the valuation than others. Many of these inputs are observable, e.g. they can be seen, measured or found from existing data and records. Other inputs however may not be observable, e.g. an input based solely on the judgement of the valuer or where data is not available and assumptions are made. The inputs used in valuations are classified into separate hierarchies, which are a guide in assessing the risk of the valuation being more based on subjective interpretation than fact. For building and land valuations, observable inputs are classed as Level 2 and unobservable inputs are classed as Level 3.

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

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

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

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

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

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

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

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

Provision for depreciation is made by allocating the cost (or revalued amount) less estimated residual value of the assets, as fairly as possible over their useful lives.

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

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

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

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts.

When infrastructure assets are replaced, the underlying assumption will be that the part replaced was worn out and fully depreciated. As such, there will be no accounting transactions for the derecognition of the replaced or renewed part of the infrastructure asset. The exception to this will be where the asset renewed or replaced is distinctly recognisable and valued, or where an infrastructure asset is fully removed from use (not replaced or renewed).

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are transferred to the Capital Adjustment Account from the Comprehensive Income & Expenditure Statement. The costs of disposal up to 4% of the capital receipts are met from the sale proceeds.

The concept of materiality is fundamental to the preparation of the financial statements. In the public sector, as entities tend to be primarily ‘spending’ to provide public services rather than profit making or asset holding, it is common practice to use gross revenue expenditure as the appropriate financial reporting metric to apply materiality. However, for the purposes of disclosure requirements and adherence to relevant accounting principles and statutory requirements for non-current assets it is more appropriate to apply a materiality level of 2% of net non-current asset value which for 2022/23 is £1.9 million (2022/23 £1.8m).

(o) Non-Current Assets – Charges to Revenue

Service revenue accounts and trading accounts are charged with the following amounts to record the cost of holding non-current assets during the year:

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

These charges are reversed out of the Comprehensive Income & Expenditure Statement via the Movement in Reserves Statement to the Capital Adjustment Account.

The Council is not required to raise Council Tax to cover depreciation, impairment losses or amortisation. However, it is required to make an annual provision from revenue to contribute towards the reduction in its overall borrowing requirement, the Minimum Revenue Provision (MRP) (normally equal to an amount calculated on a prudent basis determined by the Council in accordance with statutory guidance) and approved each year by Council.

(p) Provisions, Contingent liabilities and contingent assets

Provisions

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation and are measured at the best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties. When payments are eventually made, they are charged to the provision carried in the Balance Sheet.

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 with sufficient reliability.

Contingent liabilities are not recognised in the Balance Sheet but disclosed in a note to the accounts.

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.

(q) Reserves

Expenditure is not charged directly to a reserve, but to the service revenue account within the Comprehensive Income & Expenditure Statement. This is then offset by a reserve appropriation within the Movement in Reserves Statement.

(r) Revenue Expenditure Funded from Capital Under Statute (REFCUS)

Expenditure that may be capitalised under statutory provisions but which does not result in the creation of a non-current asset has been charged to the relevant service in the Comprehensive Income & Expenditure Statement. If the Council has decided to finance this expenditure from existing capital resources or by borrowing, then the cost is reversed out of the General Fund so there is no impact on the level of Council Tax, by a transfer in the Movement in Reserves Statement.

(s) Shared Services

The Council maintains ‘shared service’ operations for a number of services. The shared service arrangements have been assessed against the definitions within the Code and the Council has decided that the Mid Kent Services (MKS) Board is a non-decision making body (decisions to enter into a shared service and the level of involvement and consequent cost lie with each council via its own decision making mechanism) and there is then a collaboration agreement in place for each shared service. Accordingly, all expenditure and income of these services is included within the Comprehensive Income & Expenditure Statement. During 2023/24 the preparation to include the Revenues and Benefits service within the shared services was undertaken and the transfer being completed in April 2024.

(t) Value Added Tax (VAT)

VAT payable is included as an expense only to the extent that it is not recoverable from HMRC. VAT receivable is excluded from income.

(u) Overheads and Support Services

The costs of overheads and support services are charged to those that benefit from the supply or service where the total cost needs to be reflected at service level. In those cases the total absorption costing principal is used – the full cost of overheads and support services are shared between users in proportion to the benefits received.

(v) Council Tax and National Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and national non-domestic (business) rates. The Council collects council tax on behalf of the major precepting authorities - Kent County Council, Kent Police & Crime Commissioner, and Kent Fire and Rescue Service, and collects business rates on behalf of the Government, Kent County Council and Kent Fire and Rescue Service. The Council therefore acts as agent on behalf of these major preceptors. These accounts only show the amount owed to/from taxpayers in respect of council tax demanded by this Council. Amounts owing to/from taxpayers for council tax for major precepting authorities are shown as net debtors or creditors on the balance sheet. 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 and major preceptors share proportionately the risks and rewards that the amount of council tax and NDR collected could be less or more than predicted. The amounts shown as council tax/business rates in the Taxation and Non-Specific Grant Income line of the Comprehensive Income and Expenditure Statement (CIES) represent the amounts due to this Council for the year. However, regulations determine the amount of council tax and NDR that must be included in the Council’s General Fund. Therefore, the difference between the income included in the CIES 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.

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

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

Accounting standards that have been issued but not yet adopted are:

- IFRS 16 Leases, which has been deferred until 2024/25;
- Classification of liabilities as current or non-current (amendment to IAS 1) issued in January 2020;
- Lease liability in a sale and leaseback (amendment to IFRS 16) issued in September 2022;
- Non-current liabilities with covenants (amendment to IAS 1) issued in October 2022 in relation to deferred settlement of liabilities subject to compliance with covenants;
- International tax reform: Pillar Two model (amendment to IAS 12) issued in May 2023 and applicable to multinational groups;
- Supplier finance arrangements (amendments to IAS 7 and IFRS 7) issued in May 2023.

None of the above are expected to have a material effect on the Council’s finances in 2024/25.

4. Accounting Estimates

In order to prepare the accounts, the Council makes accounting estimates for the value of pensions, property, plant and equipment, financial instruments, and the impairment allowance for debtors. These are supported by professional advice from Barnett Waddingham (actuaries on pensions), Arlingclose (treasury advisors on financial instruments), and Wilks, Head & Eve (valuers for property, plant and equipment). Their professional advice is reviewed and challenged by Council officers, including comments made by Grant Thornton, the external auditors, in previous audits. For these items, the accounts include a forecast of the financial impact of a change (typically 1%) in the accounting estimate made.

The effects on the estimation uncertainty in the Statement of Accounts are as follows:

(a) Pension Scheme

Swale Council did not consider it appropriate to make an allowance for their actual member mortality experience over the accounting year as this would require a full valuation of updated membership data and would incur additional fees. Therefore, the accounts are based on a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. This means that mortality experience is estimated through the benefits paid out to members. The difference between this estimate and the employer's actual mortality experience will then be incorporated once the next actuarial valuation of the fund is complete.

From an accounting perspective, the current methodology in deriving assumptions continues to be appropriate with the current uncertainties in the market. This approach is in line with the current FRS102/IAS19 accounting standard.

(b) Financial Instruments

The fair values used in the preparation of the Council accounts have not been affected by any material uncertainty.

(c) Impairment Allowance for Non-Payment of Debt

It is prudent to establish a provision (impairment allowance) for non-payment of debt. Whilst the economy is now considered to have recovered from the impact of the Covid-19 pandemic, debt levels are still impacted due to the backlog of court work that built up over that time. This results in a higher impairment level than pre-pandemic, although that is expected to largely clear through the next financial year. The cost of living crisis could potentially have an adverse impact on collectability of debt and will be the subject of ongoing review. Due to these issues, a prudent approach has been taken when setting the rates for bad debt provisions, which are reflected in these financial statements. The impact of this uncertainty is noted in Note 40.

(d) Non-Current Assets

To reduce estimation uncertainty, the valuation date for investment and high value assets of the Council were as at 31 March 2024.

In preparing the accounts the Council was not aware of any specific impact to the value of the assets within its portfolio because of the ongoing global conflicts.

The economic climate has created uncertainty about the ability to maintain assets to the usual level. More details of the impact of this uncertainty can be found in Note 24.

5. Events after the Reporting Period

The draft Statement of Accounts was authorised for issue by the Director of Resources on 31 May 2024. Events taking place after this date are not reflected in the financial statements or notes. Where events taking place before this date have provided information about conditions existing at 31 March 2024, the figures in the financial statements and notes have been adjusted if material to reflect the impact of this information.

6. Authorisation of Accounts for Issue

The Statement of Accounts was authorised for issue by Lisa Fillery, the Director of Resources, on 31 May 2024.

Pay and Pensions

7. Officers' Remuneration and Termination Benefits

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

2022/23		2023/24
Number of Employees	**Remuneration Band**	**Number of Employees**
12	£50,000 - £54,999	9
2	£55,000 - £59,999	3
8	£60,000 - £64,999	7
1	£65,000 - £69,999	2
1	£70,000 - £74,999	0
1	£75,000 - £79,999	2
1	£80,000 - £84,999	1
4	£85,000 - £89,999	2
0	£90,000 - £94,999	1
2	£95,000 - £99,999	0
1	£105,000 - £109,999	1
0	£110,000 - £114,999	1
1	£130,000 - £134,999	1
34	**Total**	**30**

Remuneration comprises:

- all sums paid to or receivable by an employee including non-taxable termination payments, redundancy pay and pay in lieu of notice;
- the monetary value of any other benefits.

Notes to the Core Financial Statements

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:

2022/23				2023/24		
Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Cost of Exit Packages £	Band	Number of Compulsory Redundancies	Number of Other Departures Agreed	Total Cost of Exit Packages £
6	0	79,043	£0 - £20,000	8	0	14,168
1	1	48,214	£20,001 - £40,000	1	0	0
0	1	40,953	£40,001 - £60,000	1	0	44,117
0	1	75,158	£60,001 - £80,000	1	0	67,436
7	**3**	**243,368**	**Total paid to employees**	**11**	**0**	**125,721**
		0	Total paid to KCC for contracted payments for pension scheme			49,190
		243,368	**Total**			**174,910**

The table below reports the details of officers with statutory responsibilities and those reporting direct to the Chief Executive.

	2022/23				2023/24		
Point	**Salary, Fees & Allowances**	**Pension Contribution**	**Total**		**Salary, Fees & Allowances**	**Pension Contribution**	**Total**
	£'000	**£'000**	**£'000**		**£'000**	**£'000**	**£'000**
	132	25	157	Chief Executive	144	27	171
	99	18	117	Director of Resources	107	22	129
	107	20	127	Director of Regeneration & Neighbourhoods	111	23	134
1	87	16	103	Head of Policy, Governance & Customer Services	6	1	7
	84	15	99	Head of Legal Partnership	89	18	107
2	0	0	0	Deputy Head of Legal Partnership	59	14	73
	509	**94**	**603**	**Total**	**516**	**105**	**621**

Point 1: Post holder left in April 2023.

Point 2: Post holder took up statutory Monitoring Officer duties in April 2023.

8. Members' Allowances

2022/23 £'000		2023/24 £'000
306	Basic allowance	316
90	Special responsibility allowance	68
5	Members' travel, subsistence & IT allowance	2
401	**Total**	**386**

The Members' Allowances Scheme can be inspected on the Council website http://www.swale.gov.uk/members-allowances/.

9. Defined Benefit Pension Scheme

a) Nature of Benefits of Defined Benefit Pension Schemes

The Council is a member of the Local Government Pension Scheme (LGPS) which is a national scheme that is administered locally on its behalf by KCC – all employees have the right to join the scheme. This is a funded defined benefit career average salary scheme, so that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions' liabilities with investment assets. The fund provides index linked pensions and other retirement benefits based upon employees' pay and length of service and these benefits are determined independently from investments of the scheme. Although these benefits will not actually be payable until employees retire, the Council has a commitment to make the payments that needs to be disclosed at the time that employees earn their future entitlement. Employee contribution rates are set by Government and range from 5.5% to 12.5%. The fund actuary, Barnett Waddingham, sets the employer contribution rate, and for 2023/24 the rate was 20.5%, plus an annual fixed sum.

b) Regulatory Framework of Defined Benefit Pension Schemes

The Kent Pension Fund is operated under the regulatory framework for the LGPS and the governance of the scheme is the responsibility of the Superannuation Committee of KCC. This committee is responsible for setting investment strategy, appointing professional fund managers, carrying out regular reviews, monitoring of investments, monitoring the administration of the Pension Fund and determining Pension Fund policy with regard to employer admission arrangements. Policy is determined in accordance with the Pensions Fund Regulations.

c) Risks of Defined Benefit Pension Schemes

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

d) Other Factors Affecting Pension Payments

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

e) Revenue Transactions Relating to Post-Employment Benefits

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

2022/23	**Comprehensive Income & Expenditure Statement**	**2023/24**
£'000		**£'000**
	Cost of services comprising:	
2,833	Current service cost	1,450
59	Administration expenses	87
1,032	Net interest on the net defined benefit liability	344
3,924	**Total post-employment benefits charged to the provision of services**	**1,881**
	Post-employment benefits charged to Other Comprehensive Income & Expenditure:	
0	Change in accounting estimate	(101)
2,093	Return on plan assets in excess of interest	1,309
(138)	Other actuarial gains/(losses) on assets	0
(4,006)	Change in demographic assumptions	(1,531)
9,408	Experience loss on defined benefit obligation	276
(56,911)	Change in financial assumptions	(2,218)
(49,554)	**Total remeasurements recognised in Other Comprehensive Income & Expenditure**	**(2,265)**
(45,630)	**Total post-employment benefits credited to the Comprehensive Income & Expenditure Statement**	**(384)**

2022/23	**Movement in Reserves Statement**	**2023/24**
£'000		**£'000**
(874)	Reduction of charges made to the deficit on the Provision of Services for post-employment benefits to equal actual payments in accordance with the Code (see Note 46)	910
3,050	**Employers' contributions payable to the scheme**	**2,791**
(2,093)	**Actual return on scheme assets less interest**	(1,309)

f) Pension Assets and Liabilities Recognised in the Balance Sheet

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

2022/23		2023/24
£'000		**£'000**
108,098	Present value of the defined benefit obligation	106,088
(96,090)	Fair value of plan assets	(97,096)
12,008		**8,992**
1,916	Present value of unfunded obligation	1,757
13,924	**Net liability in the balance sheet**	**10,749**

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

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

2022/23	**Reconciliation of present value of the scheme liabilities**	**2023/24**
£'000		**£'000**
(158,419)	**Opening balance as at 1 April - defined benefit obligation**	**(110,014)**
(2,792)	Current service cost	(1,412)
(41)	Past service cost	(38)
(4,366)	Interest cost	(5,219)
(601)	Contributions by scheme participants	(582)
56,911	Changes in financial assumptions	2,218
(9,408)	Experience loss on defined benefit obligation	(276)
4,006	Changes in demographic assumptions	1,531
4,696	Benefits paid including unfunded pension payments	5,947
(110,014)	**Closing balance as at 31 March - defined benefit obligation**	**(107,845)**

2022/23		2023/24
£'000		**£'000**
95,815	**Opening balance as at 1 April - fair value of scheme assets**	**96,090**
0	Opening balance adjustment	101
3,334	Interest on assets	4,875
(2,093)	Return on assets less interest	(1,309)
(59)	Administration expenses	(87)
3,050	Employer contributions	2,791
601	Contributions by scheme participants	582
138	Other actuarial gains/(losses)	0
(4,696)	Benefits paid including unfunded pension payments	(5,947)
96,090	**Closing balance as at 31 March - fair value of scheme assets**	**97,096**

h) Pension Fund Assets

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

31 March 2023			31 March 2024	
£'000	**%**		**£'000**	**%**
61,381	64	Equity investments	56,486	58
527	1	Gilts	7,114	7
12,633	13	Bonds	13,980	14
9,601	10	Property	8,711	9
1,625	2	Cash	1,546	2
7,046	7	Absolute return fund	4,906	5
3,277	3	Infrastructure	4,353	4
96,090	**100**	**Total**	**97,096**	**100**

i) Basis for Estimating Assets and Liabilities

Estimates of the liability are based on the rolled forward value of the employer's liabilities calculated for latest full funding valuation, allowing for the different assumptions required under IAS 19. These values are based on the triennial valuation carried out at 31 March 2022.

31 March 2023		**31 March 2024**
	Mortality assumptions	
	Longevity at 65 if retiring today:	
21.1 years	Men	21.1 years
23.5 years	Women	23.3 years
	Longevity at 65 if retiring in 20 years:	
22.3 years	Men	22.0 years
25.0 years	Women	24.7 years
3.20% to 3.40%	Rate of inflation (Retail Price Index (RPI) increases)	3.25%
2.85% to 2.95%	Rate of inflation (Consumer Price Index (CPI) increases)	2.90%
3.95%	Rate of increase in salaries	3.90%
2.95%	Rate of increase in pensions	2.90%
4.80%	Rate of discounting scheme liabilities	4.90%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2024 is estimated to be 3.76% (1.30% for the year 31 March 2023).

The estimation of the defined benefit obligations is sensitive to the assumptions set out in the table above. The sensitivity analysis below has been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant.

Uncertainty			Sensitivity Analysis		
	£'000	£'000	£'000	£'000	£'000
Adjustment to discount rate	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	100,367	106,277	107,845	109,452	116,296
Projected service cost	1,260	1,444	1,494	1,546	1,770
Adjustment to long-term salary increase	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	108,590	107,992	107,845	107,699	107,128
Projected service cost	1,499	1,495	1,494	1,493	1,489
Adjustment to pension increases and deferred revaluati	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	115,682	109,336	107,845	106,391	100,913
Projected service cost	1,778	1,546	1,494	1,443	1,253
Adjustment to life expectancy assumptions		**+1 Year**	**None**	**-1 Year**	
Present value of total obligation		112,459	107,845	103,444	
Projected service cost		1,553	1,494	1,437	

j) Funding and Investment Strategy

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

k) Impact of Pension Fund on Council’s Cash Flows

An objective of the scheme is to keep employers’ contributions at as constant a rate as possible and funding levels are monitored on an annual basis. The Fund is valued once every three years and the valuation as at 31 March 2022 disclosed a net deficit of £8.5m on Swale Borough Council’s share of the fund, a reduction of £7m from the 2019 valuation deficit of £15.5m. The last actuarial valuation took place on 31 March 2022 and the change in contribution rates as a result of that valuation took effect from 1 April 2023. The primary rate increased from 18.5% to 20.5%, but the secondary rate has fallen to a fixed annual amount of £850,000 per year for the next 3 years (secondary rate payments of £850,000 were made in 2023/24).

The movement in financial assumptions is due to the change in the discount rate and inflation forecasts.

The total contributions (not including unfunded) expected to be made to the Kent Pension Fund by the Council in 2024/25 is £2.575m (£2.73m in 2023/24).

The weighted average duration of the defined benefit obligation for scheme members is 16 years for 2023/24 (2022/23 average was 16 years).

Day to Day Spending – Revenue

10. Expenditure and Income Analysed by Nature

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

2022/23 Net Expenditure £'000		2023/24 Net Expenditure £'000
31,429	Housing Benefit payments	30,977
15,970	Employee costs	13,711
17,397	Business rates paid to Government and pool	21,571
23,049	Other service expenses	20,224
8,531	Major contracts	10,494
1,661	Parish precepts	1,730
906	Drainage board levy	952
2,743	Trading undertakings losses	698
67	Investment properties	83
1,163	Other items	2,483
102,916	**Total expenditure**	**102,923**
(30,944)	Housing Benefit income (Note 12)	(30,351)
(24,363)	Business rates income	(25,553)
(3,448)	s31 retail relief grant	(8,704)
(12,617)	Fees, charges and other service income	(13,797)
(10,868)	Council tax	(11,368)
(1,407)	New homes bonus	(1,102)
(2,883)	Trading undertakings gains	(2,923)
(120)	Revenue support grant	(317)
(7,436)	Grant income credited to cost of services (Note 12)	(7,712)
(1,103)	Other grants and contributions	(2,366)
(1,290)	Other items	(1,524)
(96,479)	**Total income**	**(105,717)**
6,437	**Deficit/(Surplus) on provision of services**	**(2,794)**

11. Financing and Investment Income and Expenditure

2022/23 Net Expenditure £'000		Note	2023/24 Net Expenditure £'000
90	Interest payable & similar charges		239
1,032	Net interest on the net defined pension liability	9	344
(705)	Interest receivable & similar income		(1,176)
(140)	Net gains on trading undertakings		(2,225)
(243)	Income – investment properties	28	(224)
(143)	Change in fair value of investment properties	28	235
565	Net (gains) / losses on financial assets through profit and loss	42	112
456			**(2,695)**

12. Grant Income

a) Grants Credited to Taxation and Non-Specific Grant Income

These are detailed in the Comprehensive Income & Expenditure Statement.

b) Revenue Grants – Receipts in Advance

The revenue grants receipts in advance at 31 March 2024 were £1,254,000 (£1,971,000 at 31 March 2023).

c) Capital Grants and Contributions

Please see Note 36 for a breakdown of Capital Grants and Contributions.

d) Grants Credited to Services

2022/23			**2023/24**
£'000	**Grant Area**	**Provider**	**£'000**
(30,944)	Housing benefit grant	DWP	(30,351)
(1,253)	Queenborough & Rushenden Klondyke land improvement funded by Housing Infrastructure Fund	HCA	0
0	UK Shared Prosperity Fund	DLUHC	(335)
0	Levelling Up Fund	DLUHC	(513)
(1,753)	Housing repair grants - disabled facilities	DLUHC	(1,545)
(876)	Homelessness grant	DLUHC	(920)
0	Council Tax and Elections New Burdens	DLUHC	(329)
(648)	Household Support Fund	KCC	(717)
(351)	Energy Rebate Scheme	DLUHC	0
(114)	Coronavirus revenue grants - other	Various	(325)
0	Council Tax Support Fund S13A	DLUHC	(257)
(581)	Rough sleeper initiative	DLUHC	(722)
(411)	Housing benefit admin subsidy	DWP	(399)
(134)	Council Tax Support Scheme Admin Grant	KCC	(134)
(260)	Discretionary housing payment	DWP	(248)
(169)	Localising Council Tax support administration subsidy grant	DLUHC	0
(113)	Implementing welfare reform changes	DWP	(103)
(29)	Council Tax & Business Rates grants	BEIS	(24)
(66)	Open spaces & play areas - commuted sums	Various	(53)
(678)	Other grants	Various	(1,088)
(38,380)			**(38,063)**

13. External Audit Costs

The Council’s auditors are Grant Thornton UK LLP.

2022/23		**2023/24**
£'000		**£'000**
73	Fees payable for external audit service	195
28	Fees payable for the certification of grant claims and returns	35
100	**Total**	**230**

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

Total assets valued at £2,208,000 were written out in 2023/24. Of this, £2,052,000 related to highways works in relation to Sittingbourne Town Centre, that were transferred back to the county council, and £42,000 related to an investment property. A total net loss of £1,864,000 was incurred for 2023/24 for all derecognised assets, with £1,896,000 being the loss excluding investment properties.

One investment property was disposed of in 2023/24, with a gain of £33,000. No investment assets were disposed of in 2022/23. Gains and losses on investment properties are shown within Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement.

Council Resources – Reserves

15. Usable Capital Receipts Reserve

This reserve holds the income from the disposal of land and other assets, which can only be used to fund new capital expenditure or to finance historical capital expenditure. The balance on the reserve shows the resources that have yet to be applied at year-end.

In 2023/24 repayments of Disabled Facilities Grants, previously held as capital receipts, were reclassified as capital grants unapplied.

2022/23 **£'000**		**2023/24** **£'000**
(2,843)	**Balance as at 1 April**	**(2,946)**
0	Capital receipts in year from sale of assets	(131)
(130)	Capital receipts in year from repayment of grants	(18)
0	Reclassification of capital receipts	903
27	Capital receipts applied during the year - financing long-term assets	1,800
(2,946)		**(392)**

16. Capital Grants Unapplied Account

This reserve holds the grants and contributions received towards capital projects for which the Council has met the conditions that would otherwise require repayment of the monies but which have yet to be applied to meet expenditure. The balance at 31 March 2024 of £1.764m 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.

17. Revenue Earmarked Reserves

This note sets out the amounts set aside from the General Fund to earmarked reserves to provide financing for future expenditure plans and the amounts posted back from earmarked reserves to meet General Fund expenditure in 2022/23 and 2023/24.

	Balance 31 March 2022 £'000	Transfers out 2022/23 £'000	Transfers in 2022/23 £'000	Balance 31 March 2023 £'000	Transfers out 2023/24 £'000	Transfers in 2023/24 £'000	Balance 31 March 2024 £'000
Budget Contingency Reserve	(2,818)	1,714	(1,816)	(2,920)	3,140	(2,058)	(1,837)
Kent Pool Economic Development Business Rates	(1,739)	1,170	(1,318)	(1,888)	289	(1,119)	(2,717)
North Kent Housing & Commercial Growth Business Rates	(1,580)	246	0	(1,333)	204	0	(1,129)
Business Rates Volatility	(1,395)	537	(147)	(1,005)	108	(3,144)	(4,041)
Building and Asset Maintenance	(681)	20	(80)	(741)	0	0	(741)
Service Reserves	(1,516)	225	0	(1,291)	0	(278)	(1,569)
Waste and Environment	(470)	14	0	(456)	17	(420)	(859)
ICT Equipment Reserve	(416)	27	(105)	(494)	197	(167)	(464)
Repairs and Renewals	(342)	90	(53)	(305)	0	(37)	(341)
Miscellaneous	(6,219)	3,336	(408)	(3,290)	1,254	(630)	(2,667)
Total Earmarked (Excl General Fund)	**(17,176)**	**7,380**	**(3,927)**	**(13,723)**	**5,209**	**(7,852)**	**(16,366)**
Ring Fenced / Accounting / Collection Fund							
Collection Fund & Grants In Advance	(5,632)	4,368	(60)	(1,325)	1,247	(92)	(170)
Accounting Adjustments	(933)	851	0	(82)	0	(250)	(332)
	(23,741)	**12,598**	**(3,987)**	**(15,130)**	**6,456**	**(8,195)**	**(16,869)**
Net transfer (to) / from reserves			8,611			(1,739)	

Budget Contingency Reserve	Cabinet 16 March 2022 approved the creation of this reserve. The purpose of the reserve is to support the revenue budget over future years, smoothing the impact of unexpected events, and providing a level of resilience.
Kent Pool Economic Development Business Rates	This fund was established as a result of the Council joining the Kent Business Rates Pool. It is to fund economic development as agreed by the Council and KCC. As agreed by Cabinet on 16/12/2020 the balance on this reserve is to be retained for potential top ups and for new initiatives or pressures.
North Kent Housing & Commercial Growth Business Rates	Under the Kent Business Rates 2018/19 Pilot there was to be an allocation of funds called the Housing & Commercial Growth Business Rates which was allocated among “clusters” of authorities for each cluster to determine the final allocation. SBC is in the “North Kent” cluster. Cabinet on 16/12/2020 agreed that this fund was to be used to fund the Local Housing Company, for set up costs and future investment, including possible investment in Sheppey.
Business Rates Volatility	To assist the Council in managing the volatility of business rate income as a result of business rate localisation.
Building and Asset Maintenance	To meet items of backlog building maintenance as well as urgent or unexpected items. Each year the reserve is topped up by any underspend on the building maintenance revenue budget.
Service Reserves	Savings made in a number of services have been transferred to reserve over time. These reserves are then used to cover future additional costs, shortfalls in government grants, or required system developments.
Waste & Environment	This is used for work relating to the collection of waste, including service improvements. It also contains income from Fixed Penalty Notices that can be used to support environmental initiatives, ensuring this income is used to create a cleaner and greener environment.
ICT Equipment Reserve	This funds future IT expenditure. Underspends on ICT expenditure are transferred to this reserve, allowing the cost of replacement equipment to be smoothed.
Repairs and Renewals	Regular contributions are made to this fund for a number of services to fund the future cost of significant items of expenditure.
Miscellaneous	This consists of a number of smaller reserves, some of which have been fully committed. They have been earmarked for a number of different purposes such as election costs and car park investment.
Collection Fund and Grants In Advance	These reserves are fully committed to offset the business rate collection fund deficit arising from timing differences due to the receipt of Government awarded rate relief and the collection fund accounting requirements.
Accounting adjustments	These are reserves created by accounting entries but are not available to support general Council expenditure.

18. Revaluation Reserve

This reserve contains the gains made by the Council arising from increases in the value of its property, plant and equipment assets, heritage assets and frozen gains re investment assets (incurred prior to the assets being classified as investment assets).

The balance is reduced when assets with accumulated gains are revalued downwards or impaired and the gains are lost; used in the provision of services and the gains are consumed through depreciation; or disposed of and the gains are realised.

The gains and losses greater than £100,000 in 2023/24 are shown below.

(Gains) or losses on revaluation		**2023/24** **£'000**
Swallows Leisure Centre, Sittingbourne	Gain	(185)
Land at Brielle Way, West Minster	Loss	329
Hotel Building, Sittingbourne	Gain	(377)
Barton's Point Toilet & Shower Block	Gain	(111)
Princes Street Retail Park	Gain	(451)

Some of the large value properties are split between their components e.g. roof, structure, electrics, heating etc. which are all separately valued. The gains and losses shown above are the net change in value of the whole asset.

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

2022/23 **£'000**		**2023/24** **£'000**
(27,899)	**Balance as at 1 April**	**(31,944)**
0	Opening balance adjustment	(28)
(6,197)	(Upward) revaluation of assets	(1,960)
1,732	Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services in the Comprehensive Income & Expenditure Statement	809
(4,465)	**Sub total of revaluations**	**(1,178)**
420	Write down re gains derived from depreciation differences, between historic costs and current value	416
0	Write down of accumulated gains on disposed assets	12
(31,944)	**Balance as at 31 March**	**(32,695)**

19. Capital Adjustment Account

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

2022/23 £'000		Note	2023/24 £'000
(18,769)	**Balance as at 1 April**		**(18,173)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
1,518	Depreciation of tangible non-current assets		1,553
24	Amortisation of intangible assets		15
3,319	Write down Revenue Expenditure Funded by Capital Under Statute (REFCUS)	30	2,317
3,556	Revaluation losses taken to Comprehensive & Expenditure Statement - other assets		314
23	Revaluation losses taken to Comprehensive & Expenditure Statement - investment assets		235
(1,664)	Revaluation gains and reversal of prior losses taken to Comprehensive Income & Expenditure Statement - other assets		(1,200)
(166)	Revaluation gains taken to Comprehensive Income & Expenditure Statement - investment assets		0
506	Disposal & derecognition of assets - write out of notional net book value		2,155
	Write down of Revaluation Reserve:		
(420)	Write down of Revaluation Reserve depreciation (gains)	18	(416)
0	Write down of Revaluation Reserve accumulated gains on disposed assets	18	(12)
	Capital financing applied in the year:		
(27)	Capital financing - capital receipts	32/15	(1,800)
(3,462)	Capital financing - Government grants and external contributions	32	(3,796)
(1,812)	Capital financing - capital reserves	32	(623)
(6)	Capital financing - direct revenue funding	32	(28)
(1,028)	Minimum revenue provision	32	(1,067)
235	Write down of financing long-term debtors		34
(18,173)	**Balance as at 31 March**		**(20,492)**

20. Collection Fund Adjustment Account

This manages the differences arising from the recognition of council tax and business rates income in the Comprehensive Income & Expenditure Statement as it falls due from council taxpayers and business ratepayers, compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund. The balance effectively shows the Council’s share of the overall Collection Fund surplus, plus the deficit for renewable energy income retained by the Council. The balance at 31 March 2024 was a net deficit of £18,000 (£190,000 surplus in 2022/23).

21. Pooled Fund Adjustment Account

The movement in year of £112,000 represents the decrease in value of the CCLA Property Fund. The fair value is based on public price quotations in an active market for this financial instrument and without this investment counting as capital expenditure.

22. Accumulated Absences Account

This absorbs the differences that would otherwise arise on the General Fund from accruing for compensated absences earned but not taken in the year, e.g. annual leave due carried forward at 31 March 2024. Statutory arrangements require that the impact on the General Fund is neutralised by transfers to or from this Account. The movement on this reserve in 2023/24 was a decrease of £43,000.

23. Pensions Reserve

This reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for these benefits in the Comprehensive Income & Expenditure Statement as the benefits are earned by employees. However, statutory arrangements require benefits earned to be financed as the Council makes employer's contributions to the Kent Pension Fund or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve of £10,749,000 (reduced from £13,924,000 in 2022/23) therefore shows a shortfall in the benefits earned by past and current employees and the resources the Council has set aside to meet them under accounting regulations. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid. Details on the movement in 2023/24 are shown in Note 9(f).

2022/23 **£'000**		**2023/24** **£'000**
62,604	**Balance at 1 April**	13,924
(49,554)	Remeasurements of the net defined benefit liability	(2,265)
3,924	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	1,881
(3,050)	Employer's pension contributions	(2,791)
13,924	**Balance at 31 March**	**10,749**

Long-Term Spending – Capital

24. Property, Plant and Equipment (PPE) Assets

Movements in 2023/24:

	Operational Assets				Non-Operational Assets		Total Assets
	Land & Buildings £'000	Vehicles & Equipment £'000	Infrastructure £'000	Community £'000	Assets Under Construction £'000	Surplus Assets £'000	£'000
Cost or Valuation							
As at 1 April 2023	**77,824**	**6,427**	**1,445**	**7,848**	**2,085**	**1,931**	**97,559**
Opening balance adjustment	12	0	0	0	0	0	**12**
Additions	1,578	6,309	0	0	816	0	**8,704**
Disposals	(12)	(53)	0	0	(2,085)	(17)	**(2,166)**
Depreciation written out	(2,231)	0	0	0	0	(0)	**(2,232)**
Revaluation to Reval Reserve	1,483	0	0	0	0	(333)	**1,150**
Revaluation to CIES	893	0	0	0	0	(7)	**887**
Reclassified	0	0	0	0	0	0	**0**
As at 31 March 2024	**79,549**	**12,683**	**1,445**	**7,848**	**816**	**1,575**	**103,915**
Accumulated Depreciation and Impairment							
As at 1 April 2023	**(1,359)**	**(4,663)**	**(543)**	**(1,041)**	**0**	**(0)**	**(7,606)**
Depreciation charge	(1,179)	(237)	(40)	(95)	0	(0)	**(1,552)**
Disposals	0	53	0	0	0	0	**53**
Depreciation written out	2,231	0	0	0	0	0	**2,232**
Reclassified	0	0	0	0	0	0	**0**
As at 31 March 2024	**(307)**	**(4,848)**	**(583)**	**(1,136)**	**0**	**0**	**(6,874)**
Net Book Value							
As at 31 March 2024	**79,242**	**7,835**	**862**	**6,711**	**816**	**1,575**	**97,041**
Net Book Value							
As at 31 March 2023	**76,465**	**1,764**	**902**	**6,807**	**2,085**	**1,931**	**89,953**

Comparative movements in 2022/23:

	Operational Assets					Non-Operational Assets		Total
	Land & Buildings	Vehicles & Equipment	Infrastructure	Community	Leased	Assets Under Construction	Surplus Assets	Assets
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Cost or Valuation								
As at 1 April 2022	**74,191**	**5,638**	**2,282**	**7,845**	**646**	**2,085**	**1,063**	**93,750**
Additions	3,080	441	16	3	0	0	0	**3,540**
Revaluations	553	0	0	0	0	0	868	**1,421**
Disposals	0	(229)	(854)	0	(69)	0	0	**(1,152)**
Reclassified	0	0	0	0	0	0	0	**0**
As at 31 March 2023	**77,824**	**5,850**	**1,444**	**7,848**	**577**	**2,085**	**1,931**	**97,559**
Accumulated Depreciation and Impairment								
As at 1 April 2022	**(1,269)**	**(4,051)**	**(914)**	**(945)**	**(646)**	**0**	**0**	**(7,825)**
Depreciation charge	(1,180)	(202)	(39)	(96)	0	0	0	**(1,517)**
Depreciation written out on revaluations	1,090	0	0	0	0	0	0	**1,090**
Disposals	0	167	410	0	69	0	0	**646**
As at 31 March 2023	**(1,359)**	**(4,086)**	**(543)**	**(1,041)**	**(577)**	**0**	**0**	**(7,606)**
Net Book Value								
As at 31 March 2023	**76,465**	**1,764**	**901**	**6,807**	**0**	**2,085**	**1,931**	**89,953**
Net Book Value								
As at 31 March 2022	**72,922**	**1,587**	**1,368**	**6,900**	**0**	**2,085**	**1,063**	**85,925**

The main additions in the year came from the expenditure on the Beachfields Levelling Up Development (£685,000), the purchase of properties for use as temporary accommodation (£959,000) and the purchase of a fleet of waste collection and street cleansing vehicles (£6,047,000).

Asset disposals included the derecognition of highway works carried out as part of Sittingbourne Town Centre regeneration, as the highways were handed back to Kent County Council. Other disposals included the sale of a beach hut, a piece of land in St Michaels Road, and the replacement of equipment in the Council chamber.

Surplus Land & Buildings

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

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

Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's surplus assets were to reduce by 10% this would result in £159,000 being charged to the Comprehensive Income & Expenditure Statement.

25. Non-Current Asset Valuation

The Council carries out a rolling programme that ensures that all property, plant and equipment which is required to be measured at current value is revalued at least every five years. The freehold and leasehold properties which comprise the Council's property portfolio have, for this and past years, been valued by Wilks, Head and Eve Chartered Surveyors.

In 2023/24 Wilks, Head and Eve valued Property, Plant and Equipment assets, and also Investment assets, to a total value of £69,549,000. This total value comprises of valuations carried out on 1 January 2024 totalling £1,632,000 and 31 March 2024 totalling £67,917,000.

An impairment and market review was also carried out by Wilks, Head and Eve as part of the valuation contract. The impairment review considered if there were material differences to the valuations performed at 1 January 2024 which would require these to be updated at 31 March 2024, but the result was that there were no material changes to the valuations advised. David Johnson MRICS, a member of the Royal Institution of Chartered Surveyors and an employee of the Council, reviewed both tasks.

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

	Land & Buildings £'000	Vehicles & Equipment £'000	Infrastructure £'000	Community £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	Total Property, Plant & Equipment £'000
Carried at historical cost	959	0	861	6,711	816	0	**9,348**
Carried at depreciated historical cost	0	7,836	0	0	0	0	**7,836**
Valued at current value as at:							
2019/20	1,878	0	0	0	0	0	**1,878**
2020/21	8,434	0	0	0	0	0	**8,434**
2021/22	2,375	0	0	0	0	0	**2,375**
2022/23	1,533	0	0	0	0	0	**1,533**
2023/24	64,061	0	0	0	0	1,575	**65,636**
Total Cost/Valuation as at 31 March 2024	**79,242**	**7,836**	**861**	**6,711**	**816**	**1,575**	**97,041**

Using Wilks, Head and Eve market data, the Council has undertaken a review of all assets that were valued before 2023/24 to ensure that their carrying value does not differ materially from current value.

As previously advised, each of the PPE asset classifications are revalued periodically in stages on the basis recommended by CIPFA and in accordance with the Statements of Asset Valuation Principles and Guidance Notes issued by RICS. In order to ensure consistency in the valuation of the varying types of property within the different asset classifications, all assets of the same type are valued at the same time, using the same valuation technique.

The above table shows that Infrastructure and Community Assets are held at historical cost. There is a reducing usefulness to the reader of the accounts of the historical cost of long-lived assets and as a local authority, the Council's capital financing is not dependent on the outstanding historical value of these assets. The historical value of these assets could not be reliably used to inform any decision considered by a reader of the Accounts.

26. Losses and Impairments on Non-Current Assets

The Code requires disclosure by class of assets of the amounts for losses and impairments, and subsequent reversals, charged to the Provision of Services and to Other Comprehensive Income & Expenditure (net total reversals being credited to these CIES items). These disclosures are consolidated in Notes 24 and 28, reconciling the movement over the year in the asset balances for property, plant and equipment and investment properties.

During 2023/24 the Council has recognised a net gain of £652,000 in respect of its non-current assets (net loss of £1,749,000 in 2022/23).

2022/23 Total £'000		Note	PPE Assets £'000	Investment Assets £'000	2023/24 Total £'000
1,609	Revaluation - increase recognised in the Provision of Services		608	0	**608**
221	Depreciation written out to the Provision of Services		592	0	**592**
1,830	**Total Gain (credit to deficit)**		**1,200**	**0**	**1,200**
(3,908)	Revaluation - decrease recognised in the Provision of Services		(346)	(235)	**(581)**
329	Depreciation written out to the Provision of Services		32	0	**32**
(3,579)	**Total Loss (debit to deficit)**	19	**(314)**	**(235)**	**(548)**
(1,749)	**Net Total (Loss)/Gain Debited/Credited to the Provision of Services**		**887**	**(235)**	**652**

The greatest revaluation gains were incurred on four properties, being Princes Street Retail Park (£494,000), the cinema building, Bourne Place (£399,000), the hotel building Bourne Place (£191,000), and the multi-storey car park, Sittingbourne (£58,000). Six other properties incurred gains, averaging just under £10,000 per property.

The greatest revaluation loss on PPE assets was incurred on one property, being Swale House council offices, Sittingbourne (£243,000). Four other properties incurred losses, averaging £18,000 per property.

Revaluation losses were incurred on six investment properties totalling £235,000.

27. Heritage Assets

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

	War Memorials & Public Statues £'000	Civic Regalia £'000	Historical Items of Cultural Interest £'000	Civic Clocks £'000	Total Heritage Assets £'000
Cost or Valuation					
As at 1 April 2023	165	401	115	1,651	**2,332**
Additions	0	0	0	0	**0**
Revaluations	0	0	0	0	**0**
As at 31 March 2024	**165**	**401**	**115**	**1,651**	**2,332**
Accumulated Depreciation & Impairments					
As at 1 April 2023	0	0	0	(1)	**(1)**
Depreciation charge	0	0	0	(1)	**(1)**
As at 31 March 2024	**0**	**0**	**0**	**(2)**	**(2)**
Net Book Value As at 31 March 2024	**165**	**401**	**115**	**1,649**	**2,329**
Net Book Value As at 31 March 2023	**165**	**401**	**115**	**1,649**	**2,330**

The War Memorials and Public Statues include the Rushenden Hill stone sculpture “Shoalstone”, the bronze wreath and stone plinth war memorial at Central Avenue, Sittingbourne and ‘The Bargee’ sculpture in Sittingbourne High Street.

The Civic Regalia includes the Great Mace of the Borough of Queenborough and other multiple items of regalia.

The Historical Items includes the Battle of Britain commemorative lace panel, collections of furniture, silverware and paintings and multiple other items of historic and cultural interest.

The civic clocks include six clocks located at Faversham, Sittingbourne (2), Milton, Queenborough and Sheerness. The highest clock value of £1.4 million is for the clock and tower in Sheerness High Street, a grade II listed structure of cast iron construction, built in 1902 to commemorate the coronation of King Edward VII.

28. Investment Properties

The following items of income and expenditure in relation to investment properties have been included within Financing and Investment in the Comprehensive Income & Expenditure Statement (Note 11):

2022/23 £'000		2023/24 £'000
(310)	Rental income	(307)
67	Direct operating expenses	83
(243)	**Net gain**	**(224)**

The net loss on revaluation for investment properties in the year was £235,000 (£143,000 gain in 2022/23), representing a valuation reduction of 5.7%. The Council's investment property portfolio has been assessed as input hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels).

2022/23		**2023/24**
£'000		**£'000**
4,030	Balance as at 1 April	4,173
0	Disposals	(42)
166	Gains from revaluations	0
(23)	Losses from revaluations	(235)
4,173	**Balance as at 31 March**	**3,896**

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

Significant changes in any of the judgements made on fair values could result in a significantly lower or higher fair value measurement for these assets. If the value of the Council's investment assets were to reduce by 10% this would result in £390,000 being charged to the Comprehensive Income & Expenditure Statement.

29. Assets Held for Sale

The sole asset has a current net book value of £100,000. The value of the property was assessed to its highest and best use, input hierarchy Level 2 for valuation purposes (see accounting policies note for explanation of fair value valuation input levels); however, the value is restricted to no greater than its original net book value as an asset Held for Sale in accordance with accounting requirements (any higher assessed value may only be recognised when actual gain is achieved upon its disposal).

30. Revenue Expenditure Funded from Capital Under Statute (REFCUS)

REFCUS relates to capital expenditure for which the Council does not hold any non-current assets (for example, grants paid to external organisations). As there is no continuing benefit derived from this expenditure, it is treated as revenue expenditure and allocated in the Comprehensive Income & Expenditure Statement in the same year that it was incurred.

2022/23			2023/24
£'000	**Grant Area**	**Funding Provider**	**£'000**
1,679	Disabled Facilities Grants Mandatory Grants	DLUHC	1,504
0	Levelling Up Project	DLUHC	392
0	IT replacements	SBC	122
0	Rural England Prosperity Fund Grants	SBC	111
70	St. Michael's Church boundary wall, Sittingbourn	SBC	66
0	UK Shared Prosperity Fund Grants	DLUHC	61
2	Housing Repair Grants (over 60)	SBC	41
45	Painters Forstall new community hall grant	SBC	20
20	Bartons Point Drainage project	SBC	0
54	Coastal Monitoring	EA	0
1,253	Queenborough & Rushenden Klondyke Land	HCA	0
97	Rainbow Homes (SBC Housing Company)	SBC	0
27	Shared Information Technology Service	SBC	0
72	Winter Warmth Grants	DLUHC	0
3,319			**2,317**

31. Commitments under Capital Contracts

The major commitments to spend at 31 March 2024 were:

2022/23	Project	2023/24
£'000		**£'000**
0	Levelling Up Fund Sheerness Revival Project	1,538
7,035	Waste Vehicle Fleet	674
569	Disabled Facilities Grants	652
7,604		**2,863**

A project to purchase residential properties for use as temporary accommodation was underway at year end. Although a number of properties were in the process of being bought, there were none at a contractually committed stage at 31 March.

32. Capital Expenditure and Capital Financing

The table below shows the total amount of capital expenditure incurred in the year, together with the resources that have been used to finance it. The actual Capital Financing Requirement is a measure of the capital expenditure incurred historically by the Council that has yet to be financed.

2022/23 £'000		2023/24 £'000
47,774	**Opening Capital Financing Requirement**	**48,406**
3,623	Property, plant and equipment	8,688
3,319	Revenue expenditure funded from capital under statute	2,317
25	Long-term loans	15
6,967		11,020
	Sources of Finance:	
(27)	Capital receipts	(1,800)
(3,462)	Government grants & external contributions	(3,796)
	Sums set aside from revenue:	
(1,812)	Reserves funding	(623)
(6)	Direct revenue funding	(28)
(1,028)	Minimum revenue provision (MRP)	(1,067)
(6,335)	**Total Sources of Finance**	**(7,313)**
48,406	**Closing Capital Financing Requirement**	**52,113**
	Explanation of Movements in Capital Financing Requirement in Year:	
1,660	Capital expenditure to be funded from future MRP when assets are operational	4,774
(1,028)	Reduction in underlying need to borrow (MRP)	(1,067)
632	**Total increase/(decrease) in Capital Financing Requirement**	**3,707**

Creditors and Debtors

33. Long-Term Creditors

As consideration for the extension of a current lease of 99 years, tenants have paid the Council a premium of £60,000.

34. Short-Term Creditors

31 March 2023		31 March 2024
£'000		£'000
(7,498)	Business rates - pool share	(10,605)
0	Waste contract vehicles	(6,015)
(7,742)	Business rates - Central government, KCC and Kent Fire and Rescue shares	(4,960)
0	Business rates - appeals	(2,849)
0	Waste contract	(1,367)
0	Business rates - transitional protection payments	(881)
(674)	Business rates and council tax payers	(629)
(122)	S106 - Short term	(519)
(960)	Energy Bill Support Scheme grant - DLUHC	(1)
(2,214)	Business Rates relief grant funding - DLUHC	0
(3,296)	Other	(5,716)
(22,507)	**Total Creditors**	**(33,541)**
(2,216)	Receipts in advance - Capital grants	(2,319)
(218)	Receipts in advance - Other	(396)
(24,941)	Short-term creditors	**(36,256)**

The 31 March 2023 comparatives have been restated to show the previous year comparison for items which were previously included within 'Other' creditors, and to present all business rates for central government and preceptor shares together.

The decrease in business rates for the government and preceptor shares is due to the reduction in the provision for check, challenge and appeals. See Note 51 for further details.

The increase in the business rates pool share reflects three years settlements currently outstanding. This is due to an audit backlog, which means the business rates pool has not been able to be closed for 2021/22 or 2022/23, as well as 2023/24.

Business rates appeals notified by the Valuation Office Agency during March 2024 were not cleared for payment until the new financial year.

Waste contract vehicles were delivered and in use during the last week in March, but were not paid for until early April. There were also costs for the extension period of the waste contract not paid by 31 March (£1,233,000) and the first week of the new waste contract, covering the last week in March (£133,000).

35. S106 Deferred Revenue Receipts

Section 106 (S106) of the Town and Country Planning Act 1990 and Section 278 of The Highways Act 1980 permits local planning authorities to enter into enforceable 'planning obligations' with landowners and/or developers. Each agreement has a deed setting out its purpose. Each agreement has been examined to determine when assets and liabilities need to be recognised on the Balance Sheet or income should be recognised. These sums represent monies received from developers as part of an agreement to maintain a designated piece of land, typically for leisure/recreation purposes, split between short and long-term use.

36. Capital Grants and Contributions

The Capital Grants and Contributions account is a creditor account used for grants and contributions where conditions are outstanding. It is used for the funding of future capital expenditure. This includes monies received for S106 purposes (see Note 35) to fund new facilities provided as part of an agreement with developers.

31 March 2023 £'000		Expenditure £'000	Income £'000	31 March 2024 £'000
(5,625)	S106 held for Third Parties	4,217	(7,251)	(8,660)
(4,377)	Disabled Facilities Grants	1,904	(2,725)	(5,198)
(78)	Levelling Up Fund	1,177	(2,350)	(1,252)
(270)	Local Authority Housing Fund	698	(2,222)	(1,795)
0	Brownfield Land Release	0	(943)	(943)
(389)	Other	418	(347)	(318)
	S106 Capital Funding:			
(1,026)	Housing	0	0	(1,026)
(610)	Open Spaces	0	0	(610)
(397)	Play Areas	12	(254)	(639)
(319)	Air Quality & Ecology	96	0	(223)
(1,998)	Other	20	(343)	(2,320)
(15,091)	**Total**	**8,541**	**(16,435)**	**(22,985)**

31 March 2023 £'000		31 March 2024 £'000
(2,338)	Due to spend within one year (short-term creditors)	(2,838)
(12,753)	Due to spend in more than one year (long-term liabilities)	(20,147)
(15,091)	**Total**	**(22,985)**

In 2023/24 nothing was repaid. The S106 monies held for third parties is largely due to developments (£8.660m) where the S106 monies being held are to fund services such as education, social care, health care and highways to be provided by other public bodies and not Swale Borough Council.

37. Provisions

	NNDR Appeals £'000	Other £'000	Total £'000
Balance at 31 March 2023	(4,721)	(139)	(4,860)
Additional provisions made	(499)	0	(499)
Amounts used	2,943	80	3,023
Balance at 31 March 2024	**(2,278)**	**(59)**	**(2,337)**
Long term	(1,285)	(59)	(1,344)
Short term	(992)	0	(992)
	(2,278)	**(59)**	**(2,337)**

NNDR Appeals

This provision is the Council’s share of the provision for appeals against NNDR ratings, based on estimates of the actual liability at 31 March 2024. An estimation is also made about how much is likely to be settled within 12 months (short term), and how much may take longer to agree and settle. Further information is provided in Note 51.

Other Provisions

Other provisions cover the potential liabilities arising from the insurance claims with the former Municipal Mutual Insurance Company (MMI).

In 1992 MMI declared that it would be going into “run off” (similar to a company going into administration) and control was passed to a scheme administrator, who has implemented a “Scheme of Arrangement”.

38. Contingent Liabilities

The Council is aware of an ongoing enforcement case that is currently being appealed. If the enforcement notice is upheld but the appellant does not comply, the Council may need to address the issue directly and incur significant costs in doing so. At this time, the potential cost cannot be reliably measured.

The Council is also aware of the ‘Virgin Media Ltd v NTL Pension Trustees II Ltd (and others)’ case and considers that there is potential for the outcome of this case to have an impact on Swale Borough Council. The case affects defined benefit schemes that provided contracted-out benefits before 6 April 2016 based on meeting the reference scheme test. Where scheme rules were amended, potentially impacting benefits accrued from 6 to April 1997 to 5 April 2016, schemes needed the actuary to confirm that the reference scheme test was still being met by providing written confirmation under Section 37 of the Pension Schemes Act 1993. In the Virgin Media case the judge ruled that alterations to the scheme rules were void and ineffective because of the absence of written actuarial confirmation required under Section 37 of the Pension Schemes Act 1993. The case was taken to The Court of Appeal in June 2024 and the original ruling was upheld.

As a result, there may be a further liability to Swale Borough Council’s share of the Kent Pension Fund for benefits that were reduced by previous amendments, if those amendments prove invalid (i.e. were made without obtaining s37 confirmation). The Government Actuary’s Department is currently undertaking a review to confirm whether such changes occurred in Local Government Pension Schemes. At this point it is not possible to estimate the potential impact, if any, on Swale Borough Council and thus the obligation and liability shown in the Council’s accounts.

39. Long-Term Debtors – Other

Long-term debtors are those that fall due after a period of at least one year.

31 March 2023 £'000		31 March 2024 £'000
1,748	Housing repair loans	1,747
114	Rent deposit scheme	136
51	Assisted car purchase loans	0
118	Opportunities for Sittingbourne Limited	118
72	Other long-term loans	54
2,103	**Total debtors**	**2,055**
	Impairment for doubtful debt	
(88)	Rent deposit scheme	(104)
(9)	Other	(9)
(97)	**Total impairment for doubtful debt**	**(113)**
2,007	**Net long-term debtors**	**1,942**

The majority of assisted car purchase loans are now due within one year, so the remaining balance has moved to short-term debtors.

40. Short-Term Debtors

31 March 2023 £'000		31 March 2024 £'000
3,606	Housing benefits - Department for Work & Pensions	6,930
5,445	Council tax - KCC, Kent Fire and Rescue Service and Kent Police & Crime Commissioner shares	6,495
4,563	Business rates - pool share	6,329
3,174	Business rates and council taxpayers	4,017
1,904	Sundry debtors	2,693
1,891	Housing benefits overpayments	1,799
280	Household Support Fund - Department for Work & Pensions	526
552	VAT - HM Revenue and Customs	250
806	Rental income	0
649	Other	1,055
22,870	**Total debtors**	**30,096**
77	Payments in advance	81
22,947		**30,177**
	Impairment for doubtful debt	
(1,209)	Housing benefit overpayments	(1,141)
(1,849)	Other	(2,732)
(3,058)	**Total impairment for doubtful debt**	**(3,872)**
19,889	**Net short-term debtors**	**26,304**

The 31 March 2023 comparatives have been restated to show the previous year comparison for the Household Support Fund due from the Department for Work and Pensions which was previously included within ‘Other’ debtors, and to show ‘Payments in advance’ separately.

There are no non-financial assets (e.g. housing benefit overpayments, council tax or business rate payers) that are outstanding debt as at the reporting date that have not been impaired. Housing benefit overpayments provision for debt impairment is based on the recovery action, the percentage of debt paid to date and the age of the debt. Further details for council tax and business rate payers can be found within the Collection Fund Note 50.

As at 31 March 2024 the Council has a gross balance for sundry debtors of £6.7m. A review of significant balances suggested that an impairment for doubtful debts of 41% (£2.7m) was appropriate. If collection rates were to fall, the cost of covering the impairment of doubtful debts would require a further £27,000 to be set aside for every 1% reduction in collection rates.

The increase in the business rates pool share reflects three years settlements currently outstanding. This is due to an audit backlog, which means the business rates pool has not been able to be closed for 2021/22 or 2022/23, as well as 2023/24.

41. Cash and Cash Equivalents

Cash is defined as cash in hand and deposits repayable on demand, less overdrafts.

Cash and cash equivalent assets comprise the balance on the council’s bank current account, plus short term, highly liquid investments that are readily convertible to cash.

Cash and cash equivalent liabilities comprise any overdraft on the council’s bank current account, plus the value of payments in transit at the accounting date. Payments in transit are not available for use by either party, and the cash is essentially in a state of limbo, reflected in the accounting system as ‘payments in transit’.

The balance of cash and cash equivalents is made up of the following elements:

31 March 2023		**31 March 2024**
£'000		**£'000**
60	Cash at bank	123
6,550	Money market funds (Note 42 table 4)	12,210
6,610	Cash and cash equivalent assets	12,333
(1,445)	Payments in transit	(1,750)
5,166	**Net cash and cash equivalents**	**10,582**

Financial Instruments

42. Financial Instruments

a) Categories of Financial Instruments.

The following categories of financial instrument (and non-financial assets and liabilities) are disclosed on the face of the Balance Sheet as at 31 March.

Financial Assets	**Non-Current**				**Current**					
	Investments		**Debtors**		**Investments**		**Debtors**		**Total**	Total
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Amortised cost	**0**	0	**1,942**	2,007	**0**	0	**2,670**	2,732	**4,612**	4,739
Fair value through profit and loss	**2,752**	2,863	**0**	0	**0**	0	**0**	0	**2,752**	2,863
Cash and cash equivalents	**0**	0	**0**	0	**0**	0	**12,333**	5,166	**12,333**	5,166
Total financial assets	**2,752**	2,863	**1,942**	2,007	**0**	0	**15,003**	7,898	**19,696**	12,768
Non-financial assets	**0**	0	**0**	0	**0**	0	**23,634**	17,157	**23,634**	17,157
Total	**2,752**	2,863	**1,942**	2,007	**0**	0	**38,637**	25,055	**43,331**	29,925

Financial Liabilities	**Non-Current**				**Current**					
	Borrowings		**Creditors**		**Borrowings**		**Creditors**		**Total**	Total
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Amortised cost	**(5,000)**	0	**(60)**	(60)	**(5,000)**	(10,000)	**(9,202)**	(6,039)	**(19,262)**	(16,099)
Cash and cash equivalents	**0**	0	**0**	0	**0**	0	**(1,750)**	0	**(1,750)**	0
Total financial liabilities	**(5,000)**	0	**(60)**	(60)	**(5,000)**	(10,000)	**(10,952)**	(6,039)	**(21,012)**	(16,099)
Non-financial liabilities	**0**	0	**0**	0	**0**	0	**(27,054)**	(18,902)	**(27,054)**	(18,902)
Total	**(5,000)**	0	**(60)**	(60)	**(5,000)**	(10,000)	**(38,007)**	(24,941)	**(48,067)**	(35,001)

b) Gains and Losses on Financial Instruments

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

Table 3 – Gains and Losses

2022/23 £'000		2023/24 £'000
	Financial liabilities	
90	Interest costs on loans	234
	Financial assets - interest income:	
(150)	Amortised cost: fixed term deposits and call accounts	(74)
(555)	Fair value through profit and loss: money market funds and CCLA	(1,102)
565	(Gains)/losses from change in fair value (note 11)	112
(50)	**Net (gain)/loss for the year**	**(830)**

c) Fair Value of Assets and Liabilities

Financial instruments assets which are classified at amortised cost and financial instruments liabilities are carried in the Balance Sheet at amortised cost. Financial instruments which are not classified at amortised cost, are carried in the Balance Sheet at fair value. For money market funds and the Church, Charities and Local Authorities (CCLA) Property Fund, their fair value is taken from the market price. The Council has invested £3m in the CCLA Property Fund which is carried in the Balance Sheet at its fair value as at 31 March 2024 of £2.752m the difference being posted to the Pooled Fund Adjustment Account. When comparing the Balance Sheet value of financial instruments valued at amortised cost to what their value would be at fair value, the only difference is for the two external loans whose fair value at 31 March 2024 is £10.121m (£9.997m at 31 March 2023).

d) Nature and Extent of Risks Arising from Financial Instruments

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

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

The 2023/24 Treasury Management Strategy was approved by Council on 22 February 2023 and can be obtained from the Council's website: Treasury Strategy 2023/24 for Council

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

- Credit Risk – the possibility that other parties might fail to pay amounts due to the Council;

- Liquidity Risk – the possibility that the Council might not have the funds available to meet its payment commitments; and,
- Market Risk – the possibility that a financial gain or loss might arise for the Council due to movements in interest rates, market prices, foreign currency exchange rates, etc. The Council's investment in the CCLA is subject to the risk of falling commercial property prices. This risk is limited by the Council's maximum exposure to property investments of £3m. A 5% fall in commercial property prices would result in a £150,000 charge to the Surplus or Deficit on the Provision of Services which is then transferred to the Pooled Fund Adjustment Account.

Credit Risk

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

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

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

The CCLA Property Fund is a long term investment and is not likely to be surrendered in the near future and where the expectation is that values will return to or exceed the original sum insured over the medium to long-term.

The table below summarises the Council's investment and borrowing portfolio at 31 March 2024. All investments made were in line with the Council's approved credit rating criteria at the time of placing the investment, and still met those criteria at 31 March 2024.

Table 4 – Investments and Borrowing

Balance Invested at 31 March 2023	Counterparty MMF = Money Market Funds	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2024			
				Up to 1 month	Up to 3 months	Greater than 3 months	Total
£'000				£'000	£'000	£'000	£'000
0	Invesco MMF	AAAmmf	1	3,000			3,000
0	SSgA MMF	AAAmmf	1	1,440			1,440
2,130	Morgan Stanley MMF	AAAmmf	1	1,770			1,770
3,000	Black Rock MMF	AAAmmf	1	3,000			3,000
0	Aberdeen MMF	AAAmmf	1	3,000			3,000
1,420	Deutsche MMF	AAAmmf	1				0
6,550	**Total cash & cash equivalents**			**12,210**	**0**	**0**	**12,210**
2,863	CCLA property fund		1			2,751	2,751
2,863	**Total long-term investments**			**0**	**0**	**2,751**	**2,751**
9,413	**Total investments**			**12,210**	**0**	**2,751**	**14,961**
0	PWLB Loan		2			(5,000)	(5,000)
(5,000)	West Midlands Combined Authority		2			0	0
(5,000)	North Northamptonshire Council		2			(5,000)	(5,000)
(10,000)	**Total external borrowing**			**0**	**0**	**(10,000)**	**(10,000)**

The long-term rating is the benchmark measure of probability of default. The default based on the experience gathered over the last five financial years is nil and the default adjusted for current market conditions is nil. Therefore, the estimated maximum exposure to default is nil as at 31 March 2024 (nil as at 31 March 2023).

The rating above is from the Fitch credit rating agency. A description of the grading is provided below:

- AAAmmf Funds have very strong ability to meet the dual objectives of providing liquidity and preserving capital.

Descriptions of the fair value level ratings are given below:

- Level 1 inputs – quoted prices (unadjusted) in active markets for identical assets that the Council can access at the measurement date.
- Level 2 inputs – measurements other than quoted prices included within Level 1 that are observable (e.g. they can be measured or found from existing data and records) for the asset, either directly or indirectly.

Leases

43. Operating Leases

Council as Lessee

Plant and equipment – as at 31 March 2024 the Council had 14 vehicles on a contract hire-operating lease basis (three service vehicles, ten electric cars and one Mayor’s electric car).

The expenditure charged to the Cost of Services in the Comprehensive Income & Expenditure Statement during 2023/24 in relation to these leases was £56,000 (£62,000 in 2022/23).

Council as Lessor

The Council owns property which is leased to third parties. These leases have been classed as operating leases as the risks and rewards of ownership remain with the Council as lessor.

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

2022/23 £'000	Period	2023/24 £'000
91	Not later than 1 year	55
332	Later than 1 year and not later than 5 years	1,228
42,917	Later than 5 years	43,924
43,341	**Total**	**45,207**

The Council’s Relationship with Other Organisations

44. Related Parties

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

Central Government

Central Government has significant influence over the general operations of the Council – it is responsible for providing the statutory framework within which the Council operates, providing funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, business rates, housing benefits). Un-ringfenced grants received from Government departments are set out in the Comprehensive Income & Expenditure Statement and ring-fenced grants credited to services are shown in Note 12.

Members and Officers

Members of the Council have direct control over the Council’s financial and operating policies. The total of Members’ allowances paid in 2023/24 is shown in Note 8. The Council maintains a ‘Register of Members’ Interests’ which can be found on the Council website at: https://swale.gov.uk/news-and-your-council/performance-and-transparency/councillors-and-elected-members/register-of-interests

There has been an approach to elected Members and senior management seeking from them a declaration that neither they, nor their close family, nor anyone in the same household, have been involved in any material transactions with the Council. Returns were received in respect of the 2023/24 financial year from Members and senior officers and there were no transactions considered of material significance to warrant separate disclosure in the Annual Accounts. During 2023/24, no officers declared a pecuniary interest in accordance with section 117 of the Local Government Act 1972 with the exception that two senior officers and two Members are the Directors of Swale Rainbow Homes, a senior officer and a member are Directors of Opportunities for Sittingbourne, and one senior officer is a Director of SBC Holding Company 1. These are all companies owned by the Council (see Note 45).

Precepting Authorities

The Council collects council tax on behalf of its three major precepting authorities who in turn precept the Council. In addition, Kent County Council and Kent Fire and Rescue Service receive its share of business rates collected by the Council. Details are set out in the Collection Fund on pages 91 – 94. Kent County Council also administers the Kent Pension Fund on behalf of Swale and other Kent districts (see pages 55 – 59).

45. Group Accounts

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

- Opportunities for Sittingbourne Limited (Company Number 09400214) – This company was incorporated in 2015 and is a joint venture between the Council and U&I, the lead partner in the Spirit of Sittingbourne consortium. The only transaction undertaken has been the purchase of 34 High Street Sittingbourne which is currently being let. The Council's interest in the entity has been assessed to be non-controlling but having a significant influence and so needs to be accounted for as an Associate. One senior officer and one member are Directors of the company.
- SBC Holding Company 1 Limited (Company Number 12417065) – This company was registered on 21 January 2020. The Council set-up this company as a nominee company to hold a property jointly with the Council to enter into and manage the lease arrangements. A Declaration of Trust has been executed by the Council and the Company whereby the Company stated that its interest is wholly under the Council's control. One senior officer is a Director of SBC Holding Company 1.
- Swale Rainbow Homes Ltd (Company Number 13338973) – This company was registered on 15 April 2021. The company is to deliver affordable homes. It is wholly owned by the Council. In 2023/24 the Council paid £204,000 in relation to this company to fund development and assessment costs. The Company will publish its own separate accounts for 2023/24. Two senior officers and two Members are the Directors of Swale Rainbow Homes.

Further information on all the above companies is available from the Companies House website https://www.gov.uk/government/organisations/companies-house. As at 31 March 2024 the total investment in these entities has been assessed as immaterial and the Council has decided that group accounts are not required.

Further Adjustments Between Accounting Basis and Funding Basis

46. Adjustments Between Accounting Basis and Funding Basis Under Regulations

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

Accounting and funding basis adjustments 2023/24	**Usable Reserves**			
	General Fund Balance £'000	**Capital Receipts Reserve £'000**	**Capital Grants Unapplied £'000**	**Unusable Reserves £'000**
Adjustments to Revenue Resources				
Pension Costs	910	0	0	(910)
Pooled Fund Adjustment Account	(112)	0	0	112
Holiday Pay	43	0	0	(43)
Council Tax and Business Rates	(208)	0	0	208
Capital Grants moved to Capital Grants Unapplied	18	0	(18)	0
Reversal of entries for capital expenditure	(3,230)	0	0	3,230
Total Adjustment to Revenue Resources	**(2,579)**	**0**	**(18)**	**2,597**
Adjustments between Revenue & Capital Resources				
Transfer of sale proceeds from non-current assets to CRR	(1,863)	(149)	(145)	2,156
Statutory provision for financing of capital investment (MRP)	1,067	0	0	(1,067)
Capital expenditure charged to the General Fund	650	0	0	(650)
Total Adjustments between Revenue & Capital Resources	**(146)**	**(149)**	**(145)**	**439**
Use of the Capital Receipts Reserve to finance capital expenditure	0	1,800	0	(1,800)
Capital grants used to finance capital expenditure	3,780	0	15	(3,795)
Total Adjustments to Capital Resources	**3,780**	**1,800**	**15**	**(5,595)**
Total Adjustments	**1,055**	**1,651**	**(148)**	**(2,559)**

Accounting and funding basis adjustments 2022/23	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources				
Pension Costs	(874)	0	0	874
Pooled Fund Adjustment Account	(565)	0	0	565
Holiday Pay	60	0	0	(60)
Council Tax and Business Rates	3,999	0	0	(3,999)
Capital Grants moved to Capital Grants Unapplied	229	0	(229)	0
Reversal of entries for capital expenditure	(7,111)	0	0	7,111
Total Adjustment to Revenue Resources	**(4,261)**	**0**	**(229)**	**4,490**
Adjustments between Revenue & Capital Resources				
Transfer of cash sale proceeds from non-current assets to Capital Receipts Reserve	130	(130)	0	0
Statutory provision for financing of capital investment (MRP)	1,028	0	0	(1,028)
Capital expenditure charged to the General Fund	1,813	0	0	(1,813)
Total Adjustments between Revenue & Capital Resources	**2,971**	**(130)**	**0**	**(2,841)**
Use of the Capital Receipts Reserve to finance capital expenditure	0	8	0	(8)
Capital grants used to finance capital expenditure	3,435	20	27	(3,482)
Total Adjustments to Capital Resources	**3,435**	**28**	**27**	**(3,489)**
Total Adjustments	**2,145**	**(103)**	**(202)**	**(1,840)**

Collection Fund

As a billing authority, Swale Borough Council collects council tax and business rates from taxpayers and redistributes them to other local authorities and the Government. Because the Council is collecting these taxes on behalf of others, under statute, it has to hold these transactions in a separate account known as the Collection Fund.

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

Surpluses and deficits declared by the Council as the billing authority in relation to the Collection Fund are apportioned to the Government and other local authorities as appropriate in the subsequent financial year in their respective proportions.

The council tax and business rate income included in the Comprehensive Income & Expenditure Statement is the Council’s share of the Collection Fund’s accrued income for the year. The difference between this value and the amount required by regulation to be credited to the General Fund is taken to the Collection Fund Adjustment Account via the Movement in Reserves Statement.

The Council collects council tax on behalf of the major precepting authorities – KCC, Kent Police & Crime Commissioner, and Kent Fire and Rescue Service, and collects business rates on behalf of the Government, KCC, and Kent Fire and Rescue Service. Parish precepts are paid from the Council’s General Fund and are disclosed on the face of the Comprehensive Income & Expenditure Statement.

Collection Fund Income and Expenditure Statement

	2022/23					2023/24	
Business Rates £'000	Council Tax £'000	Total £'000		Note	Business Rates £'000	Council Tax £'000	Total £'000
			Income				
0	(98,744)	(98,744)	Council tax receivable	48	0	(104,560)	(104,560)
0	(192)	(192)	Transfer for S13A(1)(C) Reliefs		0	(293)	(293)
(51,340)	0	(51,340)	Business rates receivable	49	(52,613)	0	(52,613)
(60)	0	(60)	Transitional protection payments receivable		(6,176)	0	(6,176)
(51,400)	**(98,936)**	**(150,336)**	**Sub Total**		**(58,789)**	**(104,853)**	**(163,641)**
			Contribution towards previous year's Collection Fund forecast deficit				
(4,586)	0	(4,586)	Central Government		0	0	0
(3,668)	(56)	(3,724)	Swale Borough Council		0	(45)	(45)
(825)	(353)	(1,178)	Kent County Council		0	(282)	(282)
(92)	(21)	(113)	Kent Fire & Rescue Service		0	(17)	(17)
0	(53)	(53)	Kent Police & Crime Commissioner		0	(42)	(42)
(9,171)	**(483)**	**(9,654)**	**Sub Total**		**0**	**(386)**	**(386)**
(60,571)	**(99,419)**	**(159,990)**	**Total Income**		**(58,789)**	**(105,239)**	**(164,027)**
			Expenditure				
			Precepts, demands and shares:				
23,603	0	23,603	Central Government		29,089	0	29,089
18,882	10,924	29,806	Swale Borough Council		23,271	11,413	34,684
4,248	71,512	75,760	Kent County Council		5,236	76,211	81,447
472	4,030	4,502	Kent Fire & Rescue Service		582	4,336	4,918
0	11,166	11,166	Kent Police & Crime Commissioner		0	12,078	12,078
47,205	**97,632**	**144,837**	**Sub Total**		**58,178**	**104,038**	**162,216**
186	0	186	Cost of collection		193	0	193
3,336	0	3,336	Disregard amounts - renewable energy		5,347	0	5,347
0	0	0	Interest charged to Collection Fund		54	0	54
(1,001)	863	(138)	Allowance for debt impairment	50	818	1,350	2,168
(2,042)	0	(2,042)	Appeals charged to the Collection Fund		(7,357)	0	(7,357)
2,956	0	2,956	Change in provision for check, challenge & appeal	51	1,249	0	1,249
3,435	**863**	**4,298**	**Sub Total**		**304**	**1,350**	**1,654**
			Contribution towards previous year's Collection Fund forecast surplus				
0	0	0	Central Government		462	0	462
0	0	0	Swale Borough Council		370	0	370
0	0	0	Kent County Council		83	0	83
0	0	0	Kent Fire & Rescue Service		9	0	9
0	**0**	**0**	**Sub Total**		**924**	**0**	**924**
50,640	**98,495**	**149,135**	**Total Expenditure**		**59,406**	**105,388**	**164,794**
(9,931)	**(924)**	**(10,855)**	**Surplus Movement for the Year**		**618**	**149**	**767**
9,204	**1,140**	**10,344**	**(Surplus)/Deficit as at 1 April**		**(727)**	**216**	**(511)**
(727)	**216**	**(511)**	**(Surplus)/Deficit as at 31 March**	47	**(110)**	**365**	**255**

47. Collection Fund Surplus / Agency Arrangements

Swale Borough Council's element of the Collection Fund surplus is £4,000 at 31 March 2024 (£266,000 surplus in 2022/23) and is shown in the Balance Sheet within the Collection Fund Adjustment Account (Note 20). Amounts relating to precepting authorities and Government are shown in the Balance Sheet as a net debtor or creditor. This reflects that billing authorities are acting as agents of the precepting authorities and Government.

The collection fund balance at 31 March 2024 split into its attributable parts is shown below:

2022/23 Total £'000		2023/24 Business Rates £'000	2023/24 Council Tax £'000	2023/24 Total £'000
(364)	Central Government	(55)	0	(55)
(266)	Swale Borough Council	(44)	40	(4)
93	Kent County Council	(10)	267	257
2	Kent & Medway Fire & Rescue Service	(1)	15	14
24	Kent Police & Crime Commissioner	0	42	42
(511)	**Balance as at 31 March**	**(110)**	**365**	**255**

48. The Calculation of the Council Tax Base

The Council Tax is primarily a property based tax and is calculated for an average Band D property by dividing the net expenditure (to be met by the tax) of KCC, Kent Police & Crime Commissioner, Kent Fire and Rescue Service and Swale Borough Council by the tax base for Swale which is 49,673.46 (48,939.46 in 2022/23). This figure is the equivalent number of Band D properties in the area after allowing for the relative proportions payable by all other bands and the fact that some of those properties may pay a reduced amount because of discounts.

The basic Council Tax payable for each band in 2023/24 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	129.96	6/9	4,153.51
B	151.62	7/9	9,470.23
C	173.28	8/9	12,816.80
D	194.94	9/9	10,650.70
E	238.26	11/9	6,681.66
F	281.58	13/9	3,668.01
G	324.90	15/9	2,023.66
H	389.88	18/9	208.89
		Total	**49,673.46**

More detail on the calculation of the Council Tax base can be found here: Council Tax Base 23-24 Officer decision.pdf (swale.gov.uk)

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

The level of non-payment provided for in the calculation of the tax base for 2023/24 was 1.01% (1.01% in 2022/23). The original anticipated income from the tax base of 49,673.46, (calculated on 13 January 2023), and Band D of £2,094.44 (Band D £2,059.62 plus average parish precept of £34.82) was £104,038,000. The actual income was £104,560,000.

49. Income Collectable from Business Ratepayers

The Council initially retains 40% of business rates collected during the year, after deductions for mandatory and discretionary reliefs, the cost of income collections including losses, disregard amounts, and the cost of changes to rateable values. It is subject to a tariff that significantly reduces the actual amount retained by the Council.

The remaining business rates income is paid to the Government (50%), KCC (9%), and Kent Fire and Rescue Service (1%).

2022/23		**2023/24**
£'000		**£'000**
(51,340)	Business rates receivable	(52,613)
(60)	Transitional protection payments	(6,176)
(1,001)	Allowance for debt impairment	818
186	Cost of collection	193
0	Cost of interest	54
914	Movement in Appeals Provision	(6,109)
3,336	Renewable energy disregard amount	5,347
(47,965)	**Business Rates Income**	**(58,484)**

The rateable value for the Council's area at the end of the financial year 2023/24 was £163,390,000 (£136,503,000 for 2022/23). The increase in rateable value is due to a revaluation by the Revaluation Office Agency, which increased the rateable values from 1 April 2023.

The business rate multiplier set for 2023/24 was 51.2p (51.2p in 2022/23). Small businesses have a lower rate multiplier of 49.9p (49.9p in 2022/23).

50. Debt Impairment

It is the policy of the Council that impairment for debt provisions for council tax and business rates are charged to the Collection Fund. The following provisions have been made against the possible non-collection of Collection Fund debt:

2022/23			**2023/24**	
Business Rates	**Council Tax**		**Business Rates**	**Council Tax**
£'000	**£'000**		**£'000**	**£'000**
(3,191)	(3,428)	Balance as at 1 April	(2,041)	(4,188)
149	103	Less amounts written off	96	421
1,001	(863)	(Increase)/decrease in provision	(818)	(1,350)
(2,041)	**(4,188)**	**Balance as at 31 March**	**(2,763)**	**(5,117)**
(816)	(459)	Swale Borough Council's share	(1,105)	(558)

Amounts written off are charged directly to the provision for debt impairment. Any amounts written off in excess of the provision will be a charge to the Collection Fund.

Council tax provision for debt impairment is based on an analysis of the age of the debt and their recovery stage. At 31 March 2024, the total council tax outstanding debt was £13.731m (£11.862m in 2022/23) of which debt one year old was £4.730m, debt between two to five years old was £7.418m and debt over five years old was £1.583m.

Business rates provision for debt impairment is based on an analysis of the age of the debt, and an assessment of the likelihood of recovery of debt in respect of each financial year including the recovery action to date, the legal status of the debtor and potential absconders. At 31 March 2024, the total business rates outstanding debt was £3.830m (£2.883m in 2022/23) of which debt one year old was £1.233m, debt between two to five years old was £1.836m and debt over five years old was £0.761m.

51. Provision for Check, Challenge and Appeals for Business Rates

2022/23 £'000		2023/24 £'000
(10,888)	Balance as at 1 April	(11,802)
2,042	Less amounts charged to appeals	7,357
(2,956)	(Increase)/decrease in provision	(1,249)
(11,802)	**Balance as at 31 March**	**(5,694)**
(4,721)	Swale Borough Council's share	(2,278)

The reduction in the provision for check, challenge and appeals for business rates, is due to all appeals against the 2010 Rateable Valuations (RV) and a large proportion against the 2017 RV being cleared by the Valuation Office Agency and subsequently repaid during 2023/24.

Any amounts refunded as a result of the Check, Challenge and Appeal (CCA) process are charged directly to the provision for alteration of lists and appeals. Any amounts refunded in excess of the provision will be a charge to the Collection Fund.

There is a regular reassessment of the RV of businesses, carried out by the Valuation Office Agency in 2010, 2017 and 2023. The provision for appeals for the 2010 RV list is now closed. The provision for appeals for the 2017 RV list is based on outstanding appeals for businesses. For the 2023 RV list, the provision is based on the assumption made at national level of potential appeals amended to reflect local circumstances and the likelihood of appeals.

Business rates appeals are particularly difficult to forecast and the outcome of appeals and their financial impact on the Council are monitored regularly. If the number of properties under appeal changes, the provision for appeals would require an additional £57,000 for every 1% increase in total rateable value, under appeal.

Glossary

Accruals	The inclusion of outstanding debtors and creditors in the year's income, expenditure and capital expenditure.
Amortised Cost	Amortised cost (in relation to financial instruments) is the amount on initial recognition plus the interest taken to income and expenditure less cash paid or received for both interest and principal.
Asset	An item having value measurable in monetary terms. A non-current asset has use and value for more than one year; a current asset is expected to be converted into cash within a year.
Capital Expenditure	Expenditure on the acquisition of a non-current asset or expenditure, which adds to and not merely maintains the value of an existing non-current asset.
Capital Financing	The raising of money to pay for capital expenditure, including borrowing, revenue financing, usable capital receipts, capital grants and capital contributions.
Capital Receipts	The proceeds of the sale of capital assets.
Code of Practice on Local Authority Accounting in the UK 2023/24 (the Code)	This specifies the principles and practices of accounting required to prepare a Statement of Accounts which presents "a true and fair view" of the financial position and transactions of the Council.
Collection Fund	A separate fund maintained by a billing council which records the expenditure and income relating to council tax and business rates.
Community Assets	Non-current assets that the local council intends to hold in perpetuity, that have no determinable useful life and that may have restrictions on their disposal.
Comprehensive Income & Expenditure Statement	This records all the income the Council has received to fund the day-to-day expenditure on the services it has provided during the financial year.
Creditor	Amounts owed by the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been made by the end of that accounting period.
Current Value	The value of a non-current asset which reflects the economic environment prevailing for the service or function the asset is supporting at the reporting date.
Debtor	Amounts due to the Council for works done, goods received or services rendered before the end of the accounting period but for which payments have not been received by the end of that accounting period.

Glossary

Depreciation	The measure of the cost or revalued amount of the benefits of the non-current assets that have been consumed during the period.
Fair Value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Impairment	A reduction in the value of an asset below its carrying amount on the Balance Sheet.
Infrastructure Assets	Non-current assets whose life is of indefinite length and which are not usually capable of being sold, such as highways and footpaths.
Intangible Assets	These are non-financial assets that do not have physical substance but are identifiable and controlled by the Council through custom legal rights (e.g. software).
Internal Borrowing	If capital expenditure is spent which is not immediately financed through capital receipts or grants, the Council’s underlying need to borrow (its Capital Financing Requirement) increases, resulting in a Minimum Revenue Provision (MRP). When the Council reduces its cash balances to cover this expenditure then this is called ‘internal borrowing’.
International Financial Reporting Standards	Guidelines and rules set by the International Accounting Standards Board that companies and organisations can follow when compiling financial statements.
Investment Properties	Investment properties are those that are used primarily to earn rentals and/or for capital appreciation.
Liabilities	Amounts which will become payable by the Council in the short or long-term.
Materiality	Information is material if omitting it or misstating it could influence decisions that users make on the basis of financial information about the Council.
Minimum Revenue Provision (MRP)	A charge to the Council’s General Fund balance to make provision for the repayment of the Council’s past unfunded capital expenditure.
Non-Operational Assets	Non-current assets which are not used or consumed in the delivery of services or for the service or strategic objective of the Council.
Operating Lease	A lease where the ownership of the long-term asset remains with the lessor.
Operational Assets	Non-current assets held and occupied, used or consumed by the local council in the direct delivery of those services for which it has either a statutory or a discretionary responsibility or for the service or strategic objectives of the Council.

Glossary

Precept	The levy made by those authorities which do not run the local taxation system, e.g. KCC, Kent Fire and Rescue Service, Kent Police & Crime Commissioner, on Swale Borough Council which collects the required income from local taxpayers on their behalf.
Property, Plant and Equipment	An asset that has physical substance which is used in the provision of services and is expected to be in use for longer than one year. The value is depreciated over the estimated life of the asset.
Provision	A provision is made when the Council has a present obligation as a result of a past event and it is probable that the Council will be required to settle that obligation.
Reserves	The accumulation of surpluses and deficits over past years. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Council.
Revenue Expenditure Funded from Capital under Statute (REFCUS)	Legislation allows some expenditure to be classified as capital for funding purposes when it does not result in a non-current asset on the Balance Sheet. Such expenditure is charged to the Comprehensive Income & Expenditure Statement.
Useful Economic Life	The period over which the Council derives benefits from the use of a non-current asset.

Acronyms Used:

BEIS	Department for Business, Energy & Industrial Strategy
CCA	Check, Challenge, Appeal
CCLA	Church, Charities and Local Authorities
CIPFA	Chartered Institute of Public Finance and Accountancy
CPI	Consumer Price Index
CRR	Capital Receipts Reserve
DFG	Disabled Facilities Grants
DLUHC	Department for Levelling Up, Housing and Communities
DWP	Department of Works and Pensions
EA	Environment Agency
HCA	Homes and Communities Agency
HIF	Housing Infrastructure Fund

IAS	International Accounting Standard
IFRS	International Financial Reporting Standards
KCC	Kent County Council
LASAAC	Local Authority (Scotland) Accounts Advisory Committee
LGPS	Local Government Pension Scheme
LUF	Levelling Up Fund
MBC	Maidstone Borough Council
MIRS	Movement in Reserves Statement
MKS	Mid Kent Services
MMF	Money Market Funds
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan

Glossary

PPE	Property, Plant and Equipment
PWLB	Public Works Loan Board
REFCUS	Revenue Expenditure Funded from Capital under Statute
RICS	Royal Institution of Chartered Surveyors
RPI	Retail Price Index

RV	Rateable Value
S106	Section 106 – See Note 35
SBC	Swale Borough Council
SMT	Strategic Management Team
STC	Sittingbourne Town Centre
TWBC	Tunbridge Wells Borough Council
VAT	Value Added Tax

Agenda Item 6

Audit Committee Meeting	
Meeting Date	22 January 2025
Report Title	Internal Audit & Assurance Progress Report 2024/25
EMT Lead	Lisa Fillery – Director of Resources
Head of Service	Katherine Woodward – Head of Audit Partnership
Lead Officer	Katherine Woodward – Head of Audit Partnership
Classification	**Open**
Recommendations	1. That work completed so far on the 2024/25 Audit & Assurance Plan be noted.

1 Purpose of Report and Executive Summary

1.1 This report is for information and summarises progress towards delivering the Internal Audit to date. In addition, it also provides updates on:

- Completed 2023/24 audits which will be used to inform the 2024/25 Audit Opinion.
- Resource changes with the Mid Kent Audit Partnership team.
- Overall progress.
- The results of the follow up of agreed management actions.
- Changes to the Internal Audit Standards from April 2025.

2 Background

2.1 The Audit Committee approved the 2024/25 audit plan in April 2024. This report provides information to Members on the work completed on the Internal Audit Plan.

3 Proposals

3.1 We present the report to Members for their information and for noting.

4 Alternative Options Considered and Rejected

4.1 We present the report to Members for their information and for noting.

5 Consultation Undertaken or Proposed

5.1 We present the report for Member information and for noting. There has been no formal consultation, but its content has been discussed with the Director of Resources and Executive Management Team.

Issue	**Implications**
Corporate Plan	Mid Kent Audit’s work supports all Council activity and the wider Corporate Plan in evaluating governance
Financial, Resource and Property	The work internal audit does on behalf of Swale Borough Council, is carried out within agreed resources.
Legal, Statutory and Procurement	The Council is required by Regulations to deliver a conforming internal audit service
Crime and Disorder	No direct implications
Environment and Climate/Ecological Emergency	No direct implications
Health and Wellbeing	No direct implications
Safeguarding of Children, Young People and Vulnerable Adults	No direct implications
Risk Management and Health and Safety	The audit plan draws on the Council’s risk management in considering areas for audit review. In turn, audit findings will provide feedback on identification and management of risk.
Equality and Diversity	No direct implications
Privacy and Data Protection	We handled all information collected by the service in line with relevant data protection policies.

7 Appendices

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

Appendix 1: Internal Audit & Assurance Progress Report.
Appendix 2: Completed Audit Summary Information
Appendix 3: Outstanding Audit recommendations
Appendix 4 – Audit Committee Guidance and Toolkit
Appendix 5 – What Audit Committees need to know.
Appendix 6 – Global Internal Audit Standards Domain III
Appendix 7 – Essential Conditions for the Audit Committee

8 Background Papers

Full reports which support the audit engagements summarised in this report are available on request. In addition, previous Audit Committee reports can be found here.

Internal Audit & Assurance Progress Report

January 2025

Swale Borough Council

Introduction

1. The Institute of Internal Audit gives the mission of internal audit: to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

2. The mission and its associated code of ethics and Standards govern over 200,000 professionals in businesses and organisations around the world. Within UK Local Government, authority for internal audit stems from the Accounts and Audit Regulations 2015. The Regulations state services must follow the Public Sector Internal Audit Standards – an adapted and more demanding version of the global standards. Those Standards set demands for our reporting.

Audit Charter

3. This Committee approved our *Audit Charter* in September 2020, and it remains in place through this audit year. A revised Audit Charter will be presented to the Audit Committee in April 2025.

Independence of internal audit

4. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.

5. Within Swale Borough Council during 2024, we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.

6. We have worked with full independence as defined in our Audit Charter and Standard 1100. On no occasion have officers or Members sought or gained undue influence over our scope or findings.

Management response to risk

7. We include the results of our work in the year so far later in this report. In our work we often raise recommendations for management action. During the year so far, management have agreed to act on all recommendations we have raised. We report on progress towards implementation in the section titled *Agreed Actions Follow Up Results*.

8. There are no risks we have identified in our work that we believe management have unreasonably accepted.

Resource Need

9. We reported in our plan presented to this Committee in April 2024 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

> *MKA has the skills and expertise to deliver the 2024/25 Audit Plan and it is confirmed that planned audit work will enable a Head of Audit opinion for 2024/25 to be delivered in Spring 2025.*

10. The service has recently been through a partially successful recruitment campaign but does continue to have some vacancies. We are using external contractors to support delivery of the 2024/25 audit plan. The external contractors have started working with us from October 2024 and two new recruits will start in December 2024 and February 2025, so significantly more work will be delivered in the second half of the year.

11. Despite all the change we continue to make progress through the Audit Plan although overall delivery of the plan will be impacted. I can confirm that the interventions made will enable sufficient work to be completed to deliver the annual audit opinion for 2024/25.

Audit Plan Progress: 2024/25

12. The table below shows current and expected progress through the engagements described in the 2024/25 Audit Plan. Summary information on the completed audits is included at appendix 2:

Audit Review (2024/25)	Audit Status	Expected Draft report	Assurance rating	Number of Actions by Priority Rating		
				High	Medium	Low
Treasury Management	**Work in progress**	March 25				
Procurement	**Complete**	Sept 24	🟩 Sound		2	
Property Income	**Work In progress**	Feb 25				
Elections Management	**Work in progress**	Feb 25				
Pre-Application Planning	**Work in progress**	Feb 25				
Disabled Facilities Grants	**Work in progress**	Jan 25				
* Legal Services	Still to allocate	April 25				
* ICT Service Desk	**Complete - draft**	*Dec 24*	🟩 *Sound*			
* Revenues and Benefits – Fraud Compliance	Still to allocate	April 25				
* Human Resources – Payroll and Expenses	Allocated	March 25				
* Emergency Planning	Still to allocate	April 25				
* Parking Income	**Work in progress**	Jan 25				
* ICT – Network Controls and Security	Additional Sources of Assurance	Apr 25				
General Ledger	Additional Sources of Assurance	May 25				
Performance Management	*Audit under review*	*2025/26 Plan*				
Economic Development	*Audit under review*	*2025/26 Plan*				
Leisure Services Contract	*Audit Under Review*	*2025/26 Plan*				
** Revenues and benefits – Debt Recovery Service*	*Audit under review*	*2025/26 Plan*				

* Shared Service audits – work will include all authorities included in the share service.

13. The audits marked ‘work in progress’ and ‘allocated’, audits are expected to be completed by end March 2025. The audits that are unallocated will be allocated when resources become available, with the bulk of the workload completed in March and April 2025 to provide an annual audit opinion by end of May 2025.

14. The original audit plan identified 18 audits for completion in 2024/25. The revised audit plan will aim to deliver 12 audits, with 2 audits being replaced by additional sources of assurance, to supplement the annual audit opinion. If additional resources become available further audits will be completed.

15. There are 6 audits that will be moved from the current years audit plan. These audits have been reviewed and will be delivered either in next year’s audit plan or additional sources of assurance can be used to support the annual audit opinion in these areas:

Audit Review	Reason for removing	New Action
General Ledger	Some work in this area is covered by the external auditors, which will provide some additional assurances for 2024/25.	Some level of assurances can be taken from the external auditors work in this area. Transfer to 2025/26 audit plan.
Performance Management	Significant changes to the system are underway. A key member of the team has retired leaving a resourcing challenge in the service.	Transfer to 2025/26 audit plan.
Economic Development	Lower risk audit area.	Will review when sufficient resources become available.
Leisure Services Contract	The current Leisure contract has been expanded for a period of two years. Audit work will be prioritised in 2025/26 to support the development of a new tender specification.	Transfer to 2025/26 audit plan.
* IT Network Controls and Security	Audit completed last year on Cyber security and significant work currently being undertaken to ensure we are compliant with the governments Cyber Essentials programme. Any audit work would overlap with this work and will be a duplication of effort.	Additional sources of assurance being used as described to provide assurance over this area.
* Revenues and Benefits – Debt Recovery Service	Following the expansion of the Revenues and benefits service this audit will be postponed until 2025/26.	Transfer to 2025/26 audit plan, unless additional resources become available in 2024/25.

Other work and overall progress

16. The Internal Audit team administer the Risk Management System and provide Risk Management support to officers for operational and strategic risks at Swale BC, as well as oversight and reporting, to the other organisations in the partnership.

17. The table below also summarises the first half of the year days on audit plan progress and future predicted days to the end of the period:

Plan Area	Budgeted Plan Days	First half of year	Remainder of year prediction	Total expected days
Risk Based Audits	200	69	92	**169**
Following up of agreed actions	16	6	6	**12**
Consultancy & Member Support	37	10	15	**25**
Planning	24	5	15	**20**
Counter Fraud & Governance Support	18	5	5	**10**
Risk Management	51	10	15	**25**
Total	**346**	**102**	**148**	**261**

18. The lower number of audit days delivered to date is due to the number of vacant posts at the beginning of the year and the natural length of time to get a contractor appointed and delivering audit work. This will balance out towards the end of the year, but there will be an impact on overall plan delivery for 2024/25 as described earlier in the report.

Agreed Actions Follow Up Results

19. Our approach to agreed actions is to follow up each as it falls due in line with the plan agreed with management when we finish our reporting. We report progress on implementation to Strategic Leadership Team each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after addressing key actions).

20. This year have introduced some new processes around how we follow up on actions with the services. We now report more frequently to the Management and Leadership teams to support the implementation of actions within the agreed timescales. The internal audit team were spending significant amounts of time in chasing outstanding actions and this has improved with the changes made this year.

21. In total, we summarise in the table below the current position on following up agreed actions:

	High	Medium	Low	Total
Total actions 2022/23				
Actions agreed	1	15	16	32
Actions cleared	1	12	14	27
Actions not due / in progress	0	3	2	5
Overdue actions 2022/23	**0**	**0**	**0**	**0**
Total actions 2023/24				
Actions agreed	1	6	15	22
Actions cleared	1	6	12	19
Actions not due / in progress	0	0	3	3
Overdue actions 2023/24	**0**	**0**	**0**	**0**
Total actions 2024/25				
Actions agreed	0	2	0	2
Actions cleared	0	0	0	1
Actions not due / in progress	0	2	0	2
Overdue actions 2024/25	**0**	**0**	**0**	**0**
Total Actions Not due or in progress	**0**	**5**	**5**	**10**
Total Overdue actions	**0**	**0**	**0**	**0**

22. There are no overdue actions and only 10 actions that are either currently in progress or not due yet. All outstanding actions are discussed with the Strategic Management Team who readily address any concerns we have raised regarding implementation of any overdue work. There is further detail in appendix 3 of the outstanding actions.

New Internal Audit Standards

23. All of our reports to the committee include references to ‘Standards’ that we are required to follow from the Public Sector Internal Audit Standards (PSIAS). In January 2025, a new set of Standards will become effective. These are the Global Internal Audit Standards (GIAS), and Local authorities will now follow these supported by a Public Sector Application Note from April 2025.

24. The new standards place a greater emphasis on the importance of the Audit Committee and Senior Management’s role in working with and championing the internal audit function.

25. The GIAS have a new structure which has 5 Domains and 15 Principles and 52 standards. The domains are:

    i. Purpose of Internal Auditing
    ii. Ethics and Professionalism
    iii. Governing the Internal Audit Function
    iv. Managing the Internal Audit Function
    v. Performing Internal Audit Services

26. There are several new or revised standards, including:

    - Strategy: Heads of Internal Audit are required to develop and implement a strategy detailing the vision, strategic objectives, and related initiatives for the Internal Audit function. This should align with Audit Committee, Senior Management, and key stakeholder expectations.

    - Risk Management: Internal auditors are required to assess and respond to the risks that may affect the achievement of the audit objectives, and to provide assurance and advice on the effectiveness of the organisation's risk management processes.

    - Quality Assurance and Improvement Programme: Internal Auditors are required to establish and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit activity, and to undergo external assessments at least once every five years.

    - Engagement Planning: Internal Auditors are required to develop and document a risk-based plan for each engagement, and to obtain the approval of the Head of Internal Audit and the engagement client before commencing the work.

- Engagement Supervision: Internal Auditors are required to ensure that the engagement is supervised by a competent and qualified person, and that the work performed, and the results obtained are reviewed and approved.

- Engagement Communication: Internal Auditors are required to communicate the engagement objectives, scope, criteria, results, and recommendations to the appropriate parties, and to obtain their acknowledgement and feedback.

- Engagement Follow-Up: Internal Auditors are required to monitor and verify the implementation of the agreed actions by the engagement client, and to report their status and outcomes.

27. In practice the changes to the standards will have implications for the service, the management team of the organisation and the committee. In addition to the changes identified above there are now ‘essential requirements’ for the Committee and the Management Team. A snapshot of those essential conditions for the audit committee has been provided at Appendix 7.

28. The Institute of Internal Auditors has also provided guidance for Audit Committee members which is included in the following appendices:

Appendix 4 – Audit Committee Guidance and Toolkit
Appendix 5 – What Audit Committees need to know.
Appendix 6 – Global Internal Audit Standards Domain III

Procurement (September 2024) SOUND

The purpose of this audit was to provide assurance on how the Council manages the risks associated with procurement and the controls in place to manage its compliance effectively and efficiently with internal and external procurement regulations. Furthermore, this review was to provide assurance over the Council's procurement arrangements and compliance with the Contract Standing Orders. The scope of the audit included:

- Contract Standing Orders - Approval, Adoption, Accessibility, and Change process.
- Procurement Guidance
- Procurement process £0 to £30k
- Procurement process £30k+
- Risk Assessments
- Training / Awareness of procurement procedures
- Establish and review means for ensuring compliance with CSO.
- Waivers
- Preparation for and the implementation of the Procurement Act 2023

The procurement and commissioning process at Swale Borough Council is generally well designed and correctly operated. Our work identified a good level of compliance with these rules and the Council's Contract Standing Orders (CSOs). We also found that suitable policies and procedures support the procurement process and our work returned mainly positive results from the testing completed. The service provides regular reports to both Senior Management and Members which provide effective oversight of the arrangements.

We note that the service has responded positively to the recommendations made during the previous audit of procurement in 2020, with a large reduction in the number of waivers approved year on year. The completeness of the contract register has also improved.

Our work identified opportunities to strengthen some areas notably around updating the Council's Procurement and Commissioning Policy to reflect implementation of the Procurement Act 2023 and reinforcing training for managers to improve conformity with the Procurement Policy.

ICT Service Desk (Dec 2024) SOUND - Draft

The objective of the audit was to provide assurance over the controls and procedures currently in place around ICT Technical Support. Specifically, the scope of this audit was to provide assurance on the following aspects of the ICT Service Desk:

- Staff operating the ICT Service Desk are suitably trained, underpinned by suitable procedures to aid effective resolution.
- The methods to seek ICT support are promoted to staff on a regular basis.
- Measures are in place to track and monitor performance against service level agreements and key performance indicators.

We found that the implementation and operation of the ICT Service Desk is generally effective. The ICT Technical Analysts are suitably qualified and have access to information to assist them in their roles. We are also satisfied that there are suitable arrangements in place to manage out of hours requests.

A survey of current ICT Technical Analysts was carried out as part of our Audit work, and the responses indicated general satisfaction with the training and support resources available. However, whilst we are satisfied that staff are appropriately skilled, a training matrix is not currently in operation, which could result in skills gaps particularly in this fast-changing environment. We have raised recommendations in this regard.

Positively, the service has a good standard of procedures and guidance in place, but we found that there are discrepancies in some of the content when compared with existing processes. Furthermore, although a communications procedure is in place and regular communications with service users can be evidenced, an overall communications plan does not exist. We also found that permissions for sending communications is limited to one individual, which may present an issue if this person is absent during an unanticipated disruptive event.

Our testing confirmed the service are meeting there SLA and KPI and have suitable arrangements in place to monitor this.

MID KENT AUDIT

APPENDIX 3

Overdue Actions

Audit	Audit year	Priority	Due date	Action	Comments
No overdue actions to report currently.					

Outstanding actions (Not due or in progress)

Audit	Audit Year	Assurance rating	High	Medium	Low	Expected completion date
Licensing Enforcement	2022/23	Sound	0	2	1	February 2025
Accounts Receivable	2022/23	Sound	0	1	1	February 2025
Social media	2023/24	Sound	0	0	1	Dec 2024
Animal Welfare	2023/24	Sound	0	0	1	March 2025
Conservation and Heritage	2023/24	Sound	0	0	1	February 2025
Procurement	2024/25	Sound	0	2	0	June 2025

Context for needing the Audit Committee Guidance and Tool Kit

The International Professional Practices Framework (IPPF) has been updated to a new structure which includes: the new Global Internal Audit Standards; new Topical Requirements; and Guidance. It becomes effective from 9 January 2025, and the internal audit profession needs to take the time now to transition to these from the International Professional Practices Framework (2017). With the increased requirements it is important that Audit Committees play their part in supporting the transition but also in transitioning their own practices to meet the mandatory Principles, Standards and Essential Conditions detailed in the Global Internal Audit Standards 2024.

The purpose of this guidance and tool kit is to help Audit Committees support their internal audit functions and to meet the new Global Internal Audit Standards. It is broken into three key areas and for each there is guidance tools to assist in the links below.

- Understanding the new IPPF (2024)

- Overseeing the transition to the new IPPF (2024)

- Implementing Audit Committee changes to conform with the new IPPF (2024)

Audit Committee Knowledge

We would recommend the following three tools are used as a minimum for all audit committees in order to develop an understanding of the new Global Internal Audit Standards. These would take a maximum of 1 hour of audit committee member's time in total.

1. **Watch** the Global IIA's 5 Questions with Anthony - a 15 minute interview with Anthony Pugliese, CEO of Global IIA
2. **Deliver** the 30-minute **PowerPoint Presentation** provided (appendix 1) to the Audit Committee. It contains speaker notes to ensure that the key messages are delivered, without cluttering the slides.
3. **Read** Domain III: Governing the Internal Audit Function and the Three Lines Model (2 pages) provided by Global IIA which focuses on the Audit Committee's area of responsibility in the Global Internal Audit Standards.

In addition, for larger organisations, audit committees may also wish to read and review additional documents and videos that the Global IIA has produced to support a deeper understanding of the new Global Internal Audit Standards. All of these are publicly available.

Complete Global Internal Audit Standards

Condensed Global Internal Audit Standards (Requirements and Essential Conditions only)

Getting to Know the new Global Internal Audit Standards (1 ½ hour recorded webinar)

What the new Standards mean to Quality Assessments (1 ½ hour recorded webinar)

Overseeing the Transition

The Chief Audit Executive (CAE) is ultimately responsible for ensuring that practices within the IAF conform with the IPPF. Therefore, the Audit Committee may wish to **add an objective for the CAE** relating to the successful transition to the new IPPF. However, the Audit Committee needs to oversee the transition and this can be achieved using a number of methods.

As a minimum we would recommend a **regular meeting between the Chair of the Audit Committee and CAE** to discuss the transition. However, for larger organisations, audit committees may wish to go further by adopting one or all of the following:

1. An agenda item covering the transition at every Audit Committee meeting until the transition is completed.
2. Deep Dives commissioned by the Audit Committee on aspects it feels are key to meet the requirements.
3. Appointment of an independent third party to provide assurance to the Audit Committee on the transition arrangements. This may be part of an External Quality Assessment.

To support this, we are providing a **Global Standards Transition Questionnaire for Audit Committees** (Appendix 2) to use to assist them in this oversight. This can be used regardless as to whether the internal audit function is inhouse, outsourced or a shared service model. The tool is designed to not only provide the questions Audit Committees can ask but also guidance on the answers that they should expect.

Implementing Audit Committee Changes

Complete a Gap Analysis - As part of the transition plans, the CAE should perform a gap analysis to the new Global Internal Audit Standards, which includes the Essential Conditions and other requirements of Audit Committees. The extent of the Audit Committee involvement will vary, for smaller organisations we would expect this to have been completed by the CAE, whereas for larger, we would expect an Audit Committee member to have been involved in identifying the gaps. There are two key tools already available:

1. We have provided a global-internal-audit-standards-self-assessmenrt-tool-vs1.xlsx (live.com) for this purpose, which members have had access to since early May 2024.
2. Global IIA has now published its conformance_readiness_assessment_20240506.pdf, which highlights the new and enhance requirements.

Develop an Action Plan - Having identified the changes needed an action plan needs to be determined, agreed and followed. The global-internal-audit-standards-self-assessmenrt-tool-vs1.xlsx (live.com), includes an action plan template to assist with this.

Maintaining Conformance - We are also providing an **Annual Agenda Schedule** (Appendix 3) specifically for Audit Committees to help maintain conformance after January 2025. This provides a list of regular agenda items, mapped to the new Global Internal Audit Standards, with required/suggested frequencies. The tool can be adopted as is or used as a benchmark for what is already in place.

Global Internal Audit Standards 2024 – What Audit Committees need to know

June 2024

Chartered Institute of
Internal Auditors

Agenda

- The IPPF and Global Standards
- Key Changes and Areas of Challenge
- External Quality Assessments
- Audit Committee To Do List

Global Internal Audit Standards 2024, Domain III:

Appropriate governance arrangements are essential to enable the internal audit function to be effective.

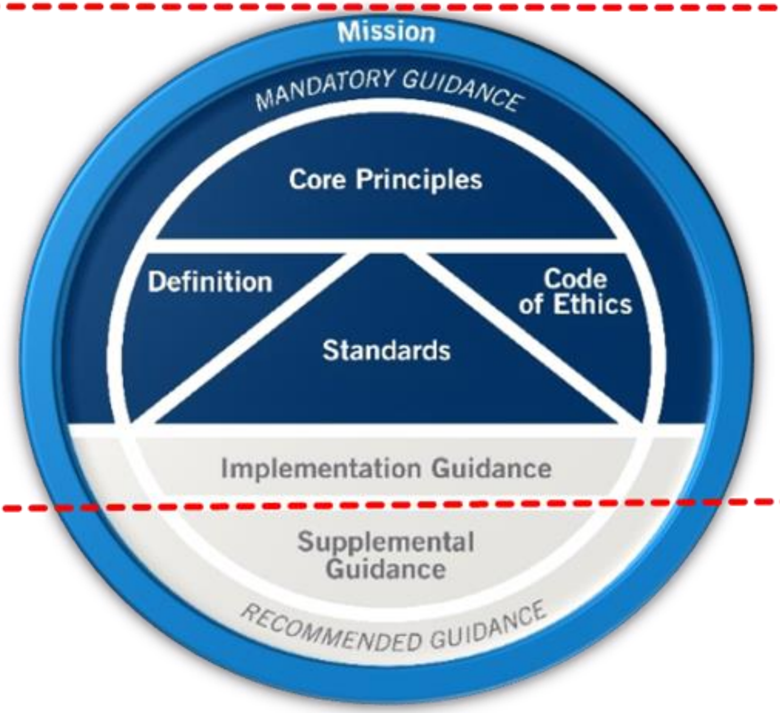
…activities of the board [Audit Committee] …are essential to the internal audit function’s ability to fulfill the Purpose of Internal Auditing.

The IPPF and new Global Standards

Current IPPF and Global Standards

Current

International Professional Practices Framework



Proposed

International Professional Practices Framework

Global Internal Audit Standards

Guidance will continue to be a recommended part of the framework.

Topical Requirements

A new mandatory element under early consideration but not yet developed.

If approved, Topical Requirements would cover governance, risk management, and control processes over specific audit subjects.

Global Internal Audit Standards

Five Domains, 15 Principles

I. Purpose of Internal Auditing

II. Ethics and Professionalism

1.Demonstrate Integrity
2.Maintain Objectivity
3.Demonstrate Competency
4.Exercise Due Professional Care
5.Maintain Confidentiality

III. Governing the Internal Audit Function

6. Authorized by the Board
7. Positioned Independently
8. Overseen by the Board

IV. Managing the Internal Audit Function

9. Plans Strategically
10. Manages Resources
11. Communicates Effectively
12. Enhances Quality

V. Performing Internal Audit Services

13. Plan Engagements Effectively
14. Conduct Engagement Work
15. Communicate Engagement Conclusions and Monitor Action Plans

Topical Requirements

- Requirements when auditing the topics.
- Recommended practices.
- Applicable for a specific audit topic or engagement.
- Covering aspects of governance, risk management, and control processes.

- Cybersecurity – out for consultation until 3 July
- Sustainability: ESG
- Third Party Management
- Information Technology Governance
- Assessing organisational Governance
- Fraud Risk Management
- Privacy Risk Management
- Public Sector: Performance Audits

Key Changes and Areas of Challenge

Glossary

There are some newly defined terms, and slight amends on others. The term ‘board’ used in the Global Standards is explained in full.

The term **Board** is a collective noun and is defined in the glossary as follows:

‘Highest-level body charged with governance, such as:

- *A board of directors.*
- *An audit committee.*
- *A board of governors or trustees.*
- *A group of elected officials or political appointees.*
- *Another body that has authority over the relevant governance functions.*

In an organization that has more than one governing body, “board” refers to the body or bodies authorized to provide the internal audit function with the appropriate authority, role, and responsibilities.’

Domain I – Purpose of Internal Auditing

‘Internal auditing strengthens the organization’s ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.’

Internal auditing enhances the organization’s:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

Domain III – Governing the Internal Audit Function

Board/Audit Committee now have to conform with the Essential Requirements included in the Domain, as well as the Principles and Standards. The following is a summary of these:

- Discussion of Domains I & III of the new global standards at audit committee is required
- The internal audit mandate (documented within the Charter) is to be discussed with the CAE and Senior Management and approved by the Board when presented by the CAE.
- The Board must advocate and champion the internal audit function to support its purpose and enable it to pursue its strategy and objectives. This includes
  - working with senior management,
  - supporting the CAE through regular communication; ensuring that the CAE reports to an appropriate level; approving the mandate, charter, strategy and internal audit plan, **budget** and resource plan; and
  - ensures internal audits authority has not been compromised or limited and meeting with the CAE privately.

Domain III – Governing the Internal Audit Function

Principle 7 – Positioned Independently

The internal audit function is only able to fulfill the Purpose of Internal Auditing when the chief audit executive reports directly to the board, is qualified, and is positioned at a level within the organization that enables the internal audit function to discharge its services and responsibilities without interference.’

Domain III – Governing the Internal Audit Function

Principle 8 – Overseen by the Board

This considers the mechanics of the interactions between the CAE and the Board. It gives the Board’s essential conditions as

- Understanding how IA is fulfilling its mandate
- Explaining the boards perspective on organisation’s strategy, risks, to help determine IA priorities
- Frequency of communications being agreed
- Escalation protocols and criteria
- Conclude on the organisations governance, risk and internal control based on the reports from IA
- Discuss differences of opinion on audit findings to support the IA mandate being achieved.

Domain III – Governing the Internal Audit Function

Principle 8 – Overseen by the Board

- Support the discussions and decisions around resourcing IA in order for it to fulfil its mandate, and issues due to a lack of resources.
- Discuss and support the Quality Assurance and Improvement Programme, and assess the effectiveness and efficiency of the IA function (conformance and performance)
- Discuss and approve the IA’s performance objectives annually
- External Quality Assessment involvement from discussion of the plan, helping to determine scope and frequency, review and approve the plan for the EQA. Receive the full results from the EQA and review and approve the resulting action plan along with timelines to complete and monitor progress.

Domain III – Governing the Internal Audit Function

Global Standards 2024

Internal Audit Mandate - ‘The internal audit function’s authority, role, and responsibilities, which may be granted by the board and/or laws and/or regulations.’

Internal Audit Charter – ‘A formal document that includes the internal audit function’s mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications.

IPPF 2017 Standards

‘**The internal audit charter** is a formal document that defines the internal audit activity's purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

Other Key changes

Domain II – Essentially the Code of Ethics with some further expansion pulling from Implementation Guidance. Introduction of the term ‘Professional Courage’ and ethics training as a consideration for implementation, but CIAs MUST complete 2 CPEs of ethics training every year. Also ‘professional courage’ as an appraisal objective.

Domain IV – The Internal Strategy Principle sits in here, and the need to develop and implement an internal audit strategy.

Domain V – This is largely the same as the IPPF. The term root cause in here has been an area of discussion amongst internal auditors.

External Quality Assessments

External Quality Assessments

If your assessment is due in 2024 then you can:

1. Have an EQA against the existing IPPF
2. Request an additional piece of work against the new global standards (a readiness assessment)

If your assessment is due in 2025 then you can:

1. Bring your EQA forward so it is done against the existing IPPF, but this must be reported before January 2025.
2. Keep your EQA to the current deadline and it will need to be done against the new Global Standards if after 9 January 2025

Note: If you are not going to adopt the new global Standards until 9 January / April 2025 then you need to allow sufficient time for you to have completed engagements using the new Standards before your EQA is undertaken. Therefore the due date may impact on your decision.

Questions?

Contact us for further information on;

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Training courses including online
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Thank you

Global Internal Audit Standards

Domain III: Governing the Internal Audit Function

In an organization, governance structures and processes facilitate the achievement of organizational objectives. These structures and processes also enable the internal audit function to be effective, enhancing:

- *The board's ability to exercise its oversight responsibilities.*
- *Senior management's ability to make decisions and manage risks effectively, enabling the achievement of organizational objectives.*
- *The organization's ability to create, protect, and sustain value.*

In the Global Internal Audit Standards™, Domain III outlines requirements for chief audit executives plus "essential conditions," which are activities of the board and senior management that enable the internal audit function's success.

Domain III requires the chief audit executive to meet with the board and senior management to discuss the responsibilities and essential conditions of the Standards and how the parties can collaborate to establish and maintain an effective internal audit function.

The discussion includes informing the board of its role and responsibilities for authorizing the internal audit function, establishing and protecting the function's independence, and overseeing the function's performance. Domain III also outlines senior management's responsibilities to implement the board's decisions to support and promote governance structures and processes that enable an effective internal audit function.

The table below depicts the three principles and nine standards of Domain III.

6. Authorized by the Board

The board establishes, approves, and supports the mandate of the internal audit function.

- **6.1** Internal Audit Mandate
- **6.2** Internal Audit Charter
- **6.3** Board and Senior Management Support

7. Positioned Independently

The board establishes and protects the internal audit function's independence and qualifications.

- **7.1** Organizational Independence
- **7.2** Chief Audit Executive Qualifications

8. Overseen by the Board

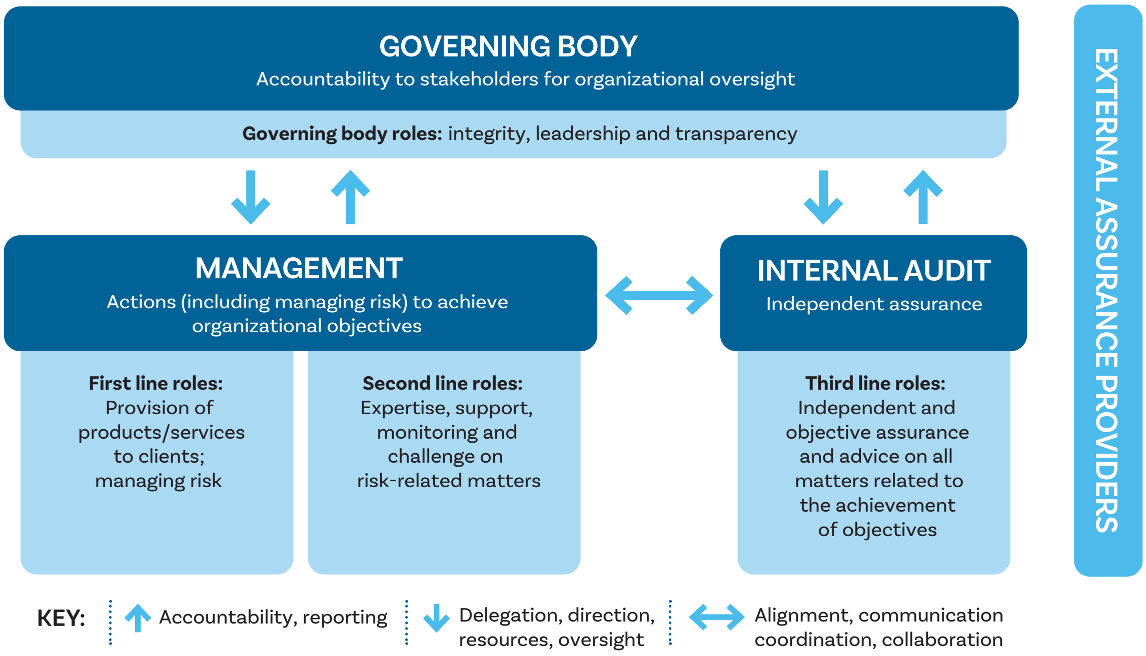
The board oversees the internal audit function to ensure the function's effectiveness.

- **8.1** Board Interaction
- **8.2** Resources
- **8.3** Quality
- **8.4** External Quality Assessment

The Institute of
Internal Auditors
Elevating Impact

The Three Lines Model and the Global Internal Audit Standards

The globally recognized Three Lines Model illustrates the governance structures and processes that best enable organizations to achieve their objectives. Similarly, Domain III in the Global Internal Audit Standards™ describes the unique partnership between the board, senior management, and the internal audit function that drives organizational success.



In the Three Lines Model, the governing body, referred to as the "board" in the Standards, ensures organizational objectives and activities align with the interests of stakeholders and that the organization's structures and processes enable accountability, actions, and independent assurance and advice. Management, which includes senior and line management, implements actions to achieve the organization's objectives. The internal audit function is independently positioned to provide objective assurance and advice on the adequacy and effectiveness of governance, risk management, and control processes.

Domain III in the Global Internal Audit Standards outlines the requirements and essential conditions necessary for a successful partnership between the board, senior management, and internal audit function.

- In ***Principle 6***, the board, senior management, and chief audit executive agree on the authority, roles, and responsibilities of the internal audit function (Standard 6.1 Internal Audit Mandate). The chief audit executive commits to providing the board and senior management with the information they need to support, promote, and oversee the function.
- ***Principle 7*** calls for the internal audit function's independence from the responsibilities of management, which is critical to internal audit objectivity, authority, and credibility. The function's independence is enhanced when the board appoints and retains a qualified chief audit executive who reports at a level in the organization that enables internal audit services and responsibilities to be performed without interference from management.
- ***Principle 8*** embodies the notion that board oversight is essential to enable the overall effectiveness of the internal audit function. This requires interactive communication between the board and the chief audit executive as well as the board's support to ensure the internal audit function obtains sufficient resources to fulfill the internal audit mandate. Additionally, the board receives assurance about the quality of the performance of the chief audit executive and the internal audit function through its oversight of the quality assurance and improvement program and direct review of the external quality assessment results.

Essential Conditions

1. The Standards set out a range of activities of the Audit Committee and senior management viewed as essential to the internal audit service's ability to fulfil the purpose of internal auditing. These are together referred to as "essential conditions" and establish a necessary foundation for an effective dialogue between interested parties in enabling an effective internal audit service.
2. Where there is disagreement on essential conditions, the Standards require the Chief Audit Executive to document the disagreement and its impact on the internal audit service. The documentation will typically feature within the internal audit charter.

3. The Standards recognise that not all of the essential conditions will apply in all circumstances given varying regulatory circumstances that exist in different countries and sectors.

Essential Conditions for the Audit Committee

The **Committee** will:

- Discuss with the Chief Audit Executive and senior management the appropriate authority, role, and responsibilities of internal audit.
- Approve the internal audit charter, which includes the internal audit mandate and the scope and types of internal audit services.
- Discus with the Chief Audit Executive and senior management any other topics that should be included in the internal audit charter to enable an effective internal audit service.
- Approve the internal audit charter.
- Review the internal audit charter with the Chief Audit Executive to consider changes affecting the Council, such as the employment of a new Chief Audit Executive or changes in the type, severity, and interdependencies of risks to the Council.
- Champion the internal audit service to enable it to fulfil the purpose of internal auditing and pursue its strategy and objectives.
- Work with senior management to enable the internal audit service's unrestricted access to the data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.
- Support the Chief Audit Executive through regular direct communications.
- Demonstrate support by: (I) Approving the internal audit charter and internal audit plan, (II) making appropriate enquiries of senior management and the Chief Audit Executive to determine whether any restrictions on the internal audit service's scope, access, authority or resources limit the service's ability to carry out its responsibilities effectively and (III) meeting periodically with the Chief Audit Executive in sessions without senior management present.

- Establish a direct relationship with the Chief Audit Executive and the internal audit service to enable the service to fulfil its mandate.

- On request from senior management, contribute to recruiting the Chief Audit Executive.
- On request from senior management, provide information to inform performance evaluation for the Chief Audit Executive.
- Provide the Chief Audit Executive with opportunities to discuss significant and sensitive matters.
- Comment to senior management as appropriate on the scope and positioning of the Chief Audit Executive role to ensure it has the appropriate authority within the Council to fulfil the internal audit mandate and act with appropriate safeguards for its independence.
- Engage with senior management to ensure that the internal audit service is free from interference when determining its scope, performing internal audit engagements and communicating results.
- Review and comment as appropriate on the requirements necessary for the Chief Audit Executive to manage the internal audit service, as described in the Application Note.
- Communicate with the Chief Audit Executive to understand how the internal audit service is fulfilling its mandate.
- Communicate the Audit Committee's perspective on the Council's strategies, objectives, and risks to assist the Chief Audit Executive with determining internal audit priorities.
- Set expectations for the Chief Audit Executive for (I) the frequency of communications (II) the criteria for determining which issues should be escalated and (III) the process for escalation.
- Gain an understanding of the effectiveness of the Council's governance, risk management and control processes based on the results of internal audit engagements and discussions with senior management.
- Discuss with the Chief Audit Executive disagreements with senior management or other stakeholders and provide support as necessary to enable the Chief Audit Executive to perform the responsibilities outlined in the internal audit mandate.
- Discuss with the Chief Audit Executive, at least annually, the sufficiency both in numbers and capabilities, of internal audit resources to fulfil the internal audit mandate and achieve the internal audit plan.
- Consider the impact of insufficient resources on the internal audit mandate and plan.

- Discuss with the Chief Audit Executive the quality assurance and improvement program.
- Assess the effectiveness and efficiency of the internal audit service. Such an assessment includes: (I) reviewing the service's performance objectives, including its conformance with the Standards, ability to meet the internal audit mandate and progress towards completion of the internal audit plan. (II) Considering the results of the internal audit function's quality assurance improvement program.

- Discuss with the Chief Audit Executive the plans to have an external quality assessment of the internal audit service conducted by an independent, qualified assessor or assessment team.
- Collaborate with senior management and the Chief Audit Executive to determine the scope and frequency of the external quality assessment.
- Consider the responsibilities and regulatory requirements of the internal audit service and the Chief Audit Executive, as described in the internal audit charter, when defining the scope of the external quality assessment.
- Review and approve the Chief Audit Executive’s plan for the performance of an external quality assessment. Such approval should cover: (I) the scope and frequency of assessments (II) the competencies and independence of the external assessor or assessment team (III) the rationale for choosing to conduct a self-assessment with independent validation instead of an external quality assessment.
- Require receipt of the complete results of the external quality assessment or self-assessment with independent validation direct from the assessor.
- Review and approve the Chief Audit Executive’s action plans to address identified deficiencies and opportunities for improvement, if applicable.
- Approve a timeline for completion of the action plans and monitor the Chief Audit Executive’s progress.

Audit Committee Meeting	
Meeting Date	22 January 2025
Report Title	Treasury Management Half Year Report 2024/25
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Olga Cole, Management Accountant
Classification	**Open**
Recommendations	1. To note the performance information in this report. 2. To note the prudential and treasury management indicators within the report.

1 Purpose of Report and Executive Summary

1.1 The purpose of this report is to review the mid-year position on treasury management transactions for 2024/25, including compliance with treasury limits and Prudential and Treasury Performance Indicators.

1.2 The Treasury Management Strategy is underpinned by the adoption of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code), which requires the Council to approve, as a minimum, treasury management half-year and annual outturn reports.

1.3 The Council's Treasury Management Strategy for 2024/25 was approved at a meeting on 21 February 2024. The Council has invested and borrowed substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Council's Treasury Management Strategy.

1.4 In conclusion the Council reports that all treasury management activity undertaken in the period has complied with its Prudential and Treasury Indicators for 2024/25 which were set in February 2024 as part of the Council's Treasury Management Strategy Statement. The Council is required to report on the highly technical Prudential Indicators. There are no issues of concern to highlight with Members. There are no issues of concern to highlight to Members. The indicators are based on approved commitments and the current budget.

2 Background

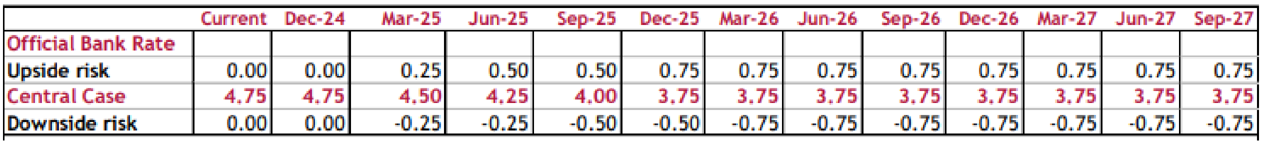
2.1 **Economic background:** UK headline consumer price inflation remained around the Bank of England (BoE) target later in the period, falling from an annual rate of 3.2% in March to 2.0% in May and then rebounding marginally to June to 2.2% in July and August, as was expected, due to base effects from energy prices. Core and services price inflation remained higher at 3.6% and 5.6% respectively in August.

2.2 The UK economy continued to expand over the period, albeit slowing from the 0.7% gain in the first calendar quarter to 0.5% (downwardly revised from 0.6%) in the second. Of the monthly figures, the economy was estimated to have registered no growth in July.

2.3 Labour market data was slightly better from a policymaker perspective, showing an easing in the tightness of the job market, with inactivity rates and vacancies declining. However, a degree of uncertainty remains given ongoing issues around the data collected for the labour force survey by the Office for National Statistics.

2.4 With headline inflation lower, the Bank of England (BoE) cut Bank Rate from 5.25% to 5.00% at the August Monetary Policy Committee (MPC) meeting. The meeting minutes and vote suggested a reasonably hawkish tilt to rates, with sticky inflation remaining a concern among policymakers. Arlingclose, the Council's treasury adviser, maintained its central view that Bank Rate would steadily fall from the 5.25% peak, with the first cut in August being followed by a series of further cuts, with November 2024 the likely next one, taking Bank Rate down to around 3% by the end of 2025.

2.5 Arlingclose's Economic Outlook for the remainder of 2024/25 (based on 11th November 2024 interest rate forecast).



	Current	Dec-24	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27
Official Bank Rate													
Upside risk	0.00	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75

The MPC will continue to reduce Bank Rate, but more slowly and by less. We expect to see another rate cut in February 2025, followed by a cut alongside every Monetary Policy Report publication, to a low of 3.75%.

2.6 **Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on all banks on its counterparty list at 100 days.

2.7 Having had its outlook increased by Fitch and ratings by S&P earlier in the period, Moody's upgraded Transport for London's rating to A2 from A3 in July. S&P upgraded the rating on National Bank of Canada to A+ from A, and together with Fitch, the two rating agencies assigned Lancashire County Council with a rating of AA- and A+ respectively.

2.8 Moody's also placed National Bank of Canada on Rating Watch for a possible upgrade, revising the outlook on Standard Chartered to Positive, the outlook to Negative on Toronto Dominion Bank, and downgrading the rating on Close Brothers to A1 from Aa3.

2.9 Financial market volatility is expected to remain a feature, at least in the near term and, as ever, the institutions and durations on the Council's counterparty list recommended by Arlingclose remains under constant review.

Borrowing Strategy and Activity

2.10 CIPFA's 2021 Prudential Code is clear that local authorities must not borrow to invest primarily for financial return and that it is not prudent for local authorities to make any investment or spending decision that will increase the capital financing requirement, and so may lead to new borrowing, unless directly and primarily related to the functions of the Authority.

2.11 As outlined in the treasury strategy, the Council's chief objective when borrowing has been to strike an appropriate risk balance between securing lower interest costs and achieving cost certainty over the period for which funds are required, with flexibility to renegotiate loans should the Council's long-term plans change being a secondary objective. The Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. At the present time short term interest rates are higher than long term interest rates.

2.12 After substantial rises in interest rates since 2021 many central banks have now begun to reduce rates, albeit slowly. Much of the downward pressure from lower inflation figures was counteracted by upward pressure from positive economic data.

2.13 The PWLB certainty rate for 10-year maturity loans was 4.80% at the beginning of the half year and 4.79% at the end. The lowest available 10-year maturity rate was 4.52% and the highest was 5.18%. Rates for 20-year maturity loans ranged from 5.01% to 5.57% during the half year, and 50-year maturity loans from 4.88% to 5.40%.

2.14 Whilst the cost of short-term borrowing from other local authorities spiked to around 7% in late March 2024, primarily due a dearth of LA-LA lending/borrowing activity during the month, as expected shorter-term rates reverted to a more normal range and were generally around 5.00% - 5.25%.

2.15 On 1 April 2024, the Council had two loans: one from a local authority and one from PWLB, totalling £10m. On 30 September 2024, the Council's external borrowing stood at £10m and further details can be found within appendix I below. The average rate on the Council's short-term loans at 30th September 2024 on £10m was 5.69%, this compares with 5.69% on £10m loans 3 months ago.

Investments

2.16 The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown. These counterparties were agreed by Policy and Resources Committee and Council earlier this year when the 2024/25 Treasury Strategy was approved.

2.17

Counterparty	Time Limit	Cash Limits
The UK Government	50 years	Unlimited
Local Authorities and other government entities	25 years	£3m
Major UK banks / building societies unsecured deposits*	13 months	£3m
Leeds Building Society unsecured deposits*	As per credit advice	£1.5m
Close Brothers unsecured deposits*	As per credit advice	£1.5m
Money Market Funds*	n/a**	£3m each
Strategic Pooled Funds e.g., Absolute return, Equity income, Corporate Bond Funds, Multi Asset Funds	n/a**	£3m each
CCLA Property Fund	n/a**	£3m
Registered providers (unsecured) *	5 years	£3m in aggregate
Secured Investments*	25 years	£3m in aggregate
Other Investments *	5 years	£3m in aggregate
Non treasury investments	As per credit advice	To be agreed on a case by case basis

* Minimum credit rating: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than [A-]. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

**These funds have no defined maturity dates but are available for withdrawal after a notice period.

2.18 The Council holds significant investment funds, representing income received in advance of expenditure plus balance and reserves held. During the six months to 30 September 2024 the Council held average daily cash balance of £19.8m (£19.6m September 2023).

2.19 The Council's budgeted investment income for the six months to 30 September 2024 was £263k (£113k September 2023) and the actual income received was £645k (£484k September 2023), of which £72k (£64k September 2023) was from the Council's long-term investment in the Church, Charities and Local Authorities (CCLA) Mutual Investment Property Fund.

2.20 The results for the six months to 30 September 2024 show that the Council achieved 0.15% (0.78% September 2023) average return below the average

Sterling Overnight Index Average (SONIA) and 0.20% average return rate below the average Bank of England Base Rate.

2.21 The Council has £3m invested in an externally managed property fund which is the CCLA property fund which generated an average total return of 4.83%, comprising of a £72k (4.26%, £64k September 2023) income return. Since this fund has no defined maturity date but is available for withdrawal after a notice period, its performance and continued suitability in meeting the Council's investment objectives are regularly reviewed. Considering its performance and the Council's latest cash flow forecasts, investment in this fund has been maintained.

2.22 **Statutory override:** In April 2023 the Ministry for Housing, Communities and Local Government published the full outcome of the consultation on the extension of the statutory override on accounting for gains and losses on pooled investment funds. The override has been extended for 2 years until 31st March 2025 but no other changes have been made; whether the override will be extended beyond the new date is unknown but commentary to the consultation outcome suggests not. The Council has set up a reserve of £250k to mitigate the impact of the statutory override not being extended and unrealised losses on pooled investment funds are required to be recognised.

Compliance with Prudential Indicators

2.23 The Council reports that all treasury management activity undertaken in the period has complied with its Prudential Indicators for 2024/25 which were set in February 2024 as part of the Council's Treasury Management Strategy Statement. The Council is required to report on the highly technical Prudential Indicators. There are no issues of concern to highlight with Members. The indicators are based on approved commitments and the current budget.

2.24 Prudential and Treasury Management Indicators are set out in Appendix II.

3 Proposals

3.1 No changes are proposed at this stage.

4 Alternative Options Considered and Rejected

4.1 The Head of Finance and Procurement will consider changes to the counterparty criteria with reference to the Council's agreed policy with regard to risk.

5 Consultation Undertaken or Proposed

5.1 Consultation has been undertaken with the Council's treasury management consultants Arlingclose.

6 Implications

Issue	Implications
Corporate Plan	Supports delivery of the Council's objectives.
Financial, Resource and Property	As detailed in the report.
Legal, Statutory and Procurement	CIPFA produce a framework for managing treasury activities, called a 'Code'. Councils are legally required to have regard to this Code and members of CIPFA are expected to comply with its requirements. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to both the CIPFA Code and the MHCLG Guidance.
Crime and Disorder	Following CIPFA's Treasury Management Code of Practice is important to avoid involvement in potential fraud or money laundering.
Environment and Climate/Ecological Emergency	The Council does not own any shares or corporate bonds so there are no ethical investment considerations to be met.
Health and Wellbeing	Not relevant to this report.
Safeguarding of Children, Young People and Vulnerable Adults	Not relevant to this report.
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice. The principle of security of funds over-rides investment performance.
Equality and Diversity	Not relevant to this report.
Privacy and Data Protection	Not relevant to this report.

7 Appendices

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

- Appendix I: Investments and Borrowing as at 30 September 2024
- Appendix II: Prudential and Treasury Management Indicators

8 Background Papers

8.1 None.

Investments and Borrowings as at 30 September 2024

Counterparty	**Long-Term Rating**	**Balance Invested & Borrowed at 30 September 2024** **£'000**
Money Market Funds		
Invesco Money Market Fund	AAAmmf	3,000
Abrdn Money Market Fund	AAAmmf	3,000
Black Rock Money Market Fund	AAAmmf	3,000
Morgan Stanley Money Market Fund	AAAmmf	35
SSGA Money Market Fund	AAAmmf	3,000
CCLA Property Fund		3,000
Total Fixed Term Deposits, Money Market and Property Funds		**15,035**
TOTAL INVESTMENTS	**Maturity Date**	**£'000**
North Northamptonshire Council	08/01/2025	(5,000)
PWLB	31/08/2025	(5,000)
TOTAL BORROWING		**(10,000)**

The Ratings above are from Fitch credit rating agency. The Long-Term Rating is the benchmark measure of probability of default. These ratings are shown for illustrative purposes only, as the Council uses the lowest rating across three agencies on which to base its decisions.

AAAmmf: Fund has very strong ability to meet the dual objective of providing liquidity and preserving capital.

Investment Activity in 2024/25

Investments	**Balance on 01/04/2024 £'000**	**Investments Made £'000**	**Investments Repaid £'000**	**Balance on 30/09/2024 £'000**	**Average Rate %**
Short Term Investments and Cash and Cash Equivalents	12,210	111,845	(112,020)	12,035	4.97
Pooled Property Fund	3,000	0	0	3,000	4.83
TOTAL INVESTMENTS	**15,210**	**111,845**	**(112,020)**	**15,035**	

Borrowing Activity in 2024/25

Borrowing	**Balance on 01/04/2024 £'000**	**Borrowing Made £'000**	**Borrowing Repaid £'000**	**Balance on 30/09/2024 £'000**	**Average Rate %**
External Borrowing	10,000	0	0	10,000	5.69
Total Borrowing	**10,000**	**0**	**0**	**10,000**	

Non-Treasury Investments

The definition of investments in CIPFA's revised 2021 Treasury Management Code covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial return. Investments that do not meet the definition of treasury management investments (i.e. management of surplus cash) are categorised as either for service purposes (made explicitly to further service objectives) and/or for commercial purposes (made primarily for financial return).

The Council holds £3.896m (£4.173m September 2023) of a long-standing portfolio of 11 investment properties within the borough. These investments are expected to generate £0.2m (£0.2m September 2023) of investment income for the Council after taking account of direct costs, representing a rate of return of 5.7% (5.8% September 2023).

Appendix II

1. Background

As required by the 2021 CIPFA Treasury Management Code, the Council monitors and measures the following treasury management prudential indicators.

2. Gross Debt and the Capital Financing Requirement (CFR)

This is a key indicator of prudence. In order to ensure that over the medium term debt will only be for a capital purpose, the local authority should ensure that debt does not, except in the short term, exceed the total of the capital financing requirement in the preceding year plus the estimates of any additional increases to the capital financing requirement for the current and next two financial years.

Capital Financing Requirement	**2023/24 Actual**	**2024/25 Revised Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Financing Requirements	52,113	72,390	77,412	76,445
External Borrowing	(10,000)	(30,500)	(40,500)	(50,500)
Cumulative External Borrowing Requirements	**42,113**	**41,890**	**36,912**	**25,945**

External Borrowing: as at 30 September 2024 the Council had £10 million of external borrowing – please see Appendix I for further details.

3. Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax.

Capital Expenditure and Financing	**2023/24 Actual £'000**	**2024/25 Revised Estimate £'000**	**2025/26 Original Estimate £'000**	**2026/27 Original Estimate £'000**
Total Expenditure	**11,020**	**31,384**	**10,625**	**4,935**
Sources of Funding				
Reserves	651	871	350	460
Capital receipts	1,800	0	0	0
Grants and other contributions	3,780	16,469	2,725	2,725
Internal/ External borrowing	4,789	14,044	7,550	1,750
Total Financing	**11,020**	**31,384**	**10,625**	**4,935**

4. Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs. The definition of financing costs is set out in the Prudential Code. The ratio is based on costs net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2023/24 Actual**	**2024/25 Estimate**	**2025/26 Estimate**	**2026/27 Estimate**
Total	0.47%	6.85%	6.59%	5.36%

5. Actual External Debt

This indicator is obtained directly from the Council's balance sheet. It is the closing balance for actual gross borrowing plus other long-term liabilities. This Indicator is measured in a manner consistent for comparison with the Operational Boundary and Authorised Limit.

Actual External Debt as at 30/09/2024	**£'000**
Borrowing	10,000
Other Long-term Liabilities	0

Total	**10,000**

6. Authorised Limit and Operational Boundary for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e. not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e. long- and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indicator separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing, and its approved treasury management strategy and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	**30/09/2024 Boundary £'000**	**30/09/2024 Actual Debt £'000**	**Complied**
Borrowing	55,000	10,000	✓
Other Long-term Liabilities	2,500	0	✓
Total	**57,500**	**10,000**	**✓**

The Operational Boundary links directly to the Council's estimates of the CFR and estimates of other cash flow requirements. This indicator is based on the same estimates as the Authorised Limit reflecting the most likely, prudent but not worst-case scenario but without the additional headroom included within the Authorised Limit.

Operational Boundary	**30/09/2024 Boundary £'000**	**30/09/2024 Actual Debt £'000**	**Complied**
Borrowing	45,000	10,000	✓
Other Long-term Liabilities	1,000	0	✓
Total Debt	**46,000**	**10,000**	**✓**

Since the operational boundary is a management tool for in-year monitoring it is not significant if the operational boundary is breached on occasions due to variations in cash flow, and this is not counted as a compliance failure.

The Head of Finance and Procurement confirms that there were no breaches to the Authorised Limit and the Operational Boundary during the period to 30 September 2024.

7. Interest Rate Exposure

These indicators allow the Council to manage the extent to which it is exposed to changes in interest rates.

Upper Limit for Interest Rate Exposure	**Actual level at 30/09/24**	**2024/25 Approved Limit**	**Complied**
Interest on fixed rate borrowing	100%	100%	✓
Interest on fixed rate investments	-0%	-100%	✓
Interest on variable rate borrowing	0%	100%	✓
Interest on variable rate investments	-100%	-100%	✓

8. Maturity Structure of Borrowing

This indicator is set to control the Authority's exposure to refinancing risk. The upper and lower limits on the maturity structure of all borrowing were.

Maturity structure of borrowing	**Existing level at 30/09/24 %**	**Lower Limit for 2024/25 %**	**Upper Limit for 2024/25 %**	**Complied**
Under 12 months	100	0	100	✓
12 months and within 24 months	0	0	100	✓
24 months and within 5 years	0	0	100	✓
5 years and within 10 years	0	0	100	✓
10 years and above	0	0	100	✓

9. Credit Risk

The Council considers security, liquidity and yield, in that order, when making investment decisions. Credit ratings remain an important element of assessing credit risk, but they are not a sole feature in the Council’s assessment of counterparty credit risk.

The Council also considers alternative assessments of credit strength, and information on corporate developments of and market sentiment towards counterparties. The following key tools are used to assess credit risk:

- published credit ratings of the financial institution (minimum A- or equivalent) and its sovereign (minimum AA+ or equivalent for non-UK sovereigns);
- sovereign support mechanisms;
- credit default swaps (where quoted);
- share prices (where available);
- economic fundamentals, such as a country’s net debt as a percentage of its GDP;
- corporate developments, news, articles, markets sentiment and momentum; and
- subjective overlay.

The only indicators with prescriptive values remain to be credit ratings. Other indicators of creditworthiness are considered in relative rather than absolute terms.

The Head of Finance and Procurement confirms that there were no breaches to counterparty limits or credit ratings at the time of placing investments.

10. Principal Sums Invested for Periods Longer than over 364 days

The purpose of this limit is to contain exposure to the possibility of loss that may arise as a result of the Council having to seek early repayment of the sums invested.

Total Principal Sums Invested Over 364 Days	**30 September 2024** **£’000**
Upper Limit Estimate	10,000
Actual	3,000
Complied?	✓

11. Investment Benchmarking for the six months to 30 September 2024

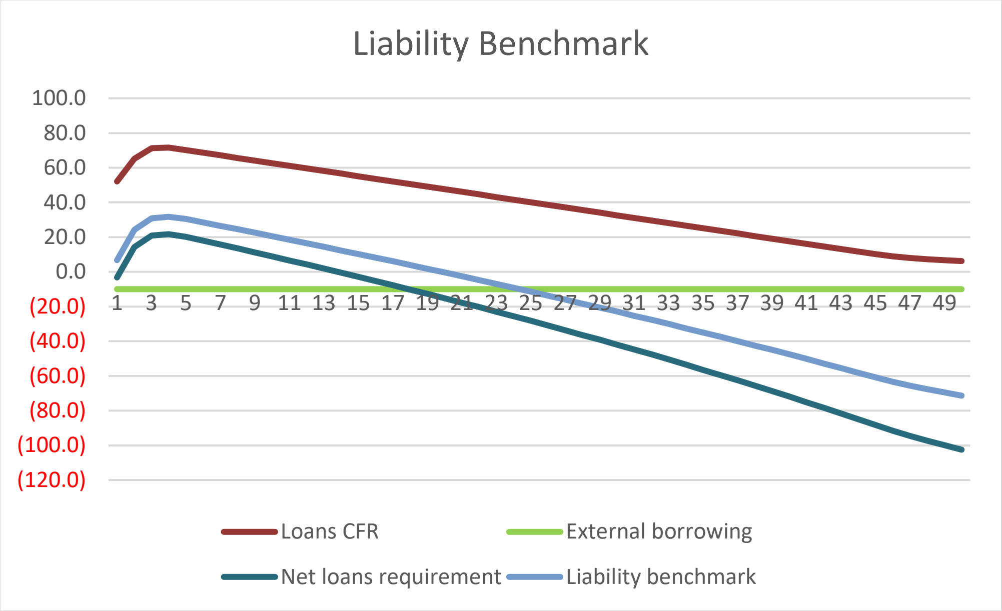
Average Actual Return on Investments	Original Estimate Return on Investments	Average Bank Base Rate	Average Overnight SONIA Rate
4.97%	5.15%	5.17%	5.12%

12. Liability Benchmark

This indicator compares the Council's actual existing borrowing against a liability benchmark that has been calculated to show the lowest risk level of borrowing. The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making.

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	52.1	65.1	71.3	71.6	70.1
Less: Balance sheet resources	(55.4)	(50.9)	(50.4)	(49.9)	(49.9)
Net loans requirement	**(3.3)**	**14.2**	**20.9**	**21.7**	**20.2**
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	**6.7**	**24.2**	**30.9**	**31.7**	**30.5**

The long-term liability benchmark above assumes capital expenditure funded by borrowing, minimum revenue provision on new capital expenditure based on income, expenditure and reserves all increasing by inflation and appropriate asset life values (8 years for waste vehicles, 50 years for all other assets).


Liability Benchmark
100.0
80.0
60.0
40.0
20.0
0.0
(20.0)
(40.0)
(60.0)
(80.0)
(100.0)
(120.0)
1 3 5 7 9 11 13 15 17 19 21 23 25 27 29 31 33 35 37 39 41 43 45 47 49
Loans CFR
External borrowing
Net loans requirement
Liability benchmark

Audit Committee	
Meeting Date	22 January 2025
Report Title	**Treasury Management Strategy 2025/26**
EMT Lead	Lisa Fillery, Director of Resources
Head of Service	Claire Stanbury, Head of Finance and Procurement
Lead Officer	Claire Stanbury, Head of Finance and Procurement Olga Cole, Management Accountant
Classification	Open
Recommendations	1. To approve the Treasury Management Strategy 2025/26 and the Prudential and Treasury Management Indicators.

1. Purpose of Report and Executive Summary

1.1 Treasury management is the management of the Council's cash flows, borrowing and investments, and the associated risks. The Council has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of financial risk are therefore central to the Council's prudent financial management.

1.2 Treasury risk management at the Council is conducted within the framework of the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice 2021 Edition (the CIPFA Code) which requires the Council to approve a treasury management strategy before the start of each financial year. This report fulfils the Council's legal obligation under the Local Government Act 2003 to have regard to the CIPFA Code.

2. External Context

2.1 **Economic background:** The impact on the UK from the government's Autumn Budget, slower expected interest rate cuts, modestly weaker economic growth over the medium term, together with the impact from President-elect Trump's second term in office and uncertainties around US domestic and foreign policy, will be major influences on the Council's treasury management strategy for 2025/26.

2.2 The Bank of England's (BoE) Monetary Policy Committee (MPC) held Bank Rate at 4.75% at its meeting in December 2024, having reduced it to that level in November and following a previous 25bp cut from the 5.25% peak at the August MPC meeting. At the December meeting, six Committee members voted to maintain Bank Rate at 4.75% while three members preferred to reduce it to 4.50%.

2.3 The November quarterly Monetary Policy Report (MPR) expected Gross Domestic Product (GDP) growth to pick up to around 1.75% (four-quarter GDP) in the early period of the BoE's forecast horizon before falling back. The impact from the Budget pushes GDP higher in 2025 than was expected in the previous MPR, before becoming weaker. Current GDP growth was shown to be zero (0.0%) between July and September 2024, and 0.4% between April and June 2024, a further downward revision from the 0.5% rate previously reported by the Office for National Statistics (ONS).

2.4 ONS figures reported the annual Consumer Price Index (CPI) inflation rate at 2.6% in November 2024, up from 2.3% in the previous month and in line with expectations. Core CPI also rose, but by more than expected, to 3.6% against a forecast of 3.5% and 3.3% in the previous months. The outlook for CPI inflation in the November MPR showed it rising above the MPC's 2% target from 2024 into 2025 and reaching around 2.75% by the middle of calendar 2025. This represents a modest near-term increase due to the ongoing impacts from higher interest rates, the Autumn Budget, and a projected margin of economic slack. Over the medium-term, once these pressures ease, inflation is expected to stabilise around the 2% target.

2.5 The labour market appears to be easing slowly, but the data still requires treating with some caution. The latest figures reported the unemployment rate rose to 4.3% in the three months to October 2024, while economic inactivity fell to 21.7%. Pay growth for the same period was reported at 5.2% for both regular earnings (excluding bonuses) and for total earnings. Looking ahead, the BoE MPR showed the unemployment rate is expected to increase modestly, rising to around 4.5%, the assumed medium-term equilibrium unemployment rate, by the end of the forecast horizon.

2.6 **Credit outlook:** Credit Default Swap (CDS) prices have typically followed a general trend downwards during 2024, reflecting a relatively more stable financial period compared to the previous year. Improved credit conditions in 2024 have also led to greater convergence in CDS prices between ringfenced (retail) and non-ringfenced (investment) banking entities again**.**

2.7 Higher interest rates can lead to a deterioration in banks' asset quality through increased loan defaults and volatility in the value of capital investments. Fortunately, the rapid interest rate hikes during this monetary tightening cycle, while putting some strain on households and corporate borrowers, has not caused a rise in defaults, and banks have fared better than expected to date, buoyed by strong capital positions. Low unemployment and robust wage growth have also limited the number of problem loans, all of which are positive in terms of creditworthiness.

2.8 Moreover, while a potential easing of US financial regulations under a Donald Trump Presidency may aid their banks' competitiveness compared to institutions in the UK and other regions, it is unlikely there will be any material impact on the underlying creditworthiness of the institutions on the counterparty list maintained by Arlingclose, the Council's treasury adviser.

2.9 Overall, the institutions on our adviser Arlingclose's counterparty list remain well-capitalised and their counterparty advice on both recommended institutions and maximum duration remain under constant review and will continue to reflect economic conditions and the credit outlook.

3. Background

Interest Rate Forecast and Market Outlook

3.1 **Interest rate forecast (December 2024):** The Council's treasury management adviser Arlingclose forecasts that The Bank of England's Monetary Policy Committee will continue reducing Bank Rate through 2025, taking it to around 3.75% by the end of the 2025/26 financial year. The effect from the Autumn Budget on economic growth and inflation has reduced previous expectations in terms of the pace of rate cuts as well as pushing up the rate at the end of the loosening cycle.

3.2 Arlingclose expects long-term gilt yields to remain broadly at current levels on average (amid continued volatility), but to end the forecast period modestly lower compared to now. Yields will continue to remain relatively higher than in the past, due to quantitative tightening and significant bond supply. As ever, there will be short-term volatility due to economic and (geo)political uncertainty and events.

Official Bank Rate	Current	Mar-25	Jun-25	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27
	%	%	%	%	%	%	%	%	%	%	%	%	%
Upside Risk	0.00	0.25	0.50	0.50	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75	0.75
Central Case	4.75	4.50	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside Risk	0.00	-0.25	-0.25	-0.50	-0.50	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75	-0.75

3.3 For the purpose of setting the 2025/26 budget, it has been assumed that new treasury investments will be made at an average rate of 4.20%, and that new short-term loans will be borrowed at an average rate of 5.25%.

3.4 Where investment income exceeds budget, e.g. from higher risk investments including pooled funds, or debt interest paid falls below budget, e.g. from cheap short-term borrowing, then an assessment of savings will be made with a view to transferring an appropriate amount to a treasury management reserve to cover the risk of capital losses or higher interest rates payable in future years, or to smooth the impact of investment valuation losses. Transfers to reserves will be brought before the Policy and Resources Committee for approval.

Borrowing Strategy

3.5 **Objective**: The Council's chief objective when borrowing money is to strike an appropriately low risk balance between securing low interest costs and achieving certainty of those costs over the period for which funds are required. The flexibility to renegotiate loans should the Council's long-term plans change is a secondary objective.

3.6 The Council currently holds £10 million of loans, as part of its strategy for funding previous years' capital programmes. The Council may also borrow additional sums to pre-fund future years' requirements, providing this does not exceed the authorised limit for borrowing of £57.5 million.

3.7 Councils are required to balance their revenue budget annually and cannot borrow to achieve a balanced position. However, they have very far reaching powers to borrow to fund capital expenditure. Recently this has been funded from borrowing from other Local Authorities and the Public Works Loans Board (PWLB), which is part of the Debt Management Office which is part of the Treasury. Borrowing from PWLB can be for up to 50 years at rates which are below commercial rates.

3.8 **Strategy:** Given the significant cuts to public expenditure and in particular to local government funding, the Council's borrowing strategy continues to address the key issue of affordability without compromising the longer-term stability of the debt portfolio. Short-term interest rates are currently higher than in the recent past, but are expected to fall in the coming year and it is therefore likely to be more cost effective over the medium-term to either use internal resources, or to borrow short-term loans instead. The risks of this approach will be managed by keeping the Council's interest rate exposure within the limit set in the treasury management prudential indicators, see below.

3.9 By doing so, the Council is able to reduce net borrowing costs (despite foregone investment income) and reduce overall treasury risk. The benefits of internal/short-term borrowing will be monitored regularly against the potential for incurring additional costs by deferring borrowing into future years when long-term borrowing rates are forecast to rise modestly. Arlingclose will assist the Council with this 'cost of carry' and breakeven analysis. Its output may determine whether the Council borrows additional sums at long-term fixed rates in 2025/26 with a view to keeping future interest costs low, even if this causes additional cost in the short-term.

3.10 The Council may also consider forward starting loans, where the interest rate is fixed in advance, but the cash is received in later years. This would enable certainty of cost to be achieved without suffering a "cost of carry" in the intervening period. In addition, the Council may borrow short-term loans to cover unplanned cash flow shortages.

3.11 **Sources of Borrowing**: The approved sources of long-term and short-term borrowing are:

- HM Treasury's PWLB Lending facility (formerly the Public Works Loan Board)
- National Wealth Fund Ltd (formerly UK Infrastructure Bank Ltd)
- Any institution approved for investments
- UK Local Authorities
- Any other UK public sector body
- Any other bank or building society authorised to operate in the UK
- UK public and private sector pension funds (except the Kent Pension Fund)
- Capital market bond investors

- Retail investors via a regulated peer-to-peer platform
- UK Municipal Bonds Agency plc and other special purpose companies created to enable local authority bond issues.

3.12 In addition, capital finance may be raised by the following methods that are not borrowing, but may be classed as other debt liabilities:

- Leasing
- Hire Purchase
- Private Finance Initiative
- Sale and Leaseback
- Similar Asset Based Finance

3.13 The Council has the following loans outstanding:

Lender	Amount (£ million)	Borrowing rate	Start Date of Loan	Maturity Date of loan	Duration
North Northamptonshire Council	5	6.05 %	26/02/2024	08/01/2025	11 months
PWLB	5	5.33%	19/03/2024	31/08/2025	18 months
Total	**10**				

Capital Programme

3.14 The capital program contains a number of projects that will need to be funded from borrowing. The anticipated breakdown of capital funding is detailed in Appendix I. The Director of Resources has delegation to make borrowing decision as and when required to ensure best value is obtained and risks are minimised.

3.15 Short-term and variable rate loans: These loans leave the Council exposed to the risk of short-term interest rate rises and are therefore subject to the interest rate exposure limits in the treasury management indicators below.

3.16 Debt rescheduling: The PWLB allows authorities to repay loans before maturity and either pay a premium or receive a discount according to a set formula based on current interest rates. Other lenders may also be prepared to negotiate premature redemption terms. The Council may take advantage of this and replace some loans with new loans, or repay loans without replacement, where this is expected to lead to an overall cost saving or a reduction in risk. As we currently don’t have any long-term loans, this would not be applicable to 2025-26.

Treasury Investment Strategy

3.17 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. In the past 12 months, the Council’s investment balance has ranged between £4.5 and £38.5 million, with an average balance of £23.3 million, and levels are expected to be slightly lower in the forthcoming year.

3.18 The CIPFA Code requires the Council to invest its funds prudently, and to have regard to the security and liquidity of its investments before seeking the highest rate of return, or yield. The Council's objective when investing money is to strike an appropriate balance between risk and return, minimising the risk of incurring losses from defaults and the risk of receiving unsuitably low investment income. Where balances are expected to be invested for more than one year, the Council will aim to achieve a total return that is equal or higher than the prevailing rate of inflation, in order to maintain the spending power of the sum invested. The Council aims to be a responsible investor and will consider environmental, social and governance (ESG) issues when investing.

3.19 The Council largely uses Money Market Funds and the Debt Management office for short-term investments. The only long-term investment remains the £3 million in the Church, Charities and Local Authorities (CCLA) Property Fund.

3.20 The CIPFA Code doesn't permit local authorities to both borrow and invest long-term for cash flow management. But the Council may make long-term investments for treasury risk management purposes, including to manage interest rate risk by investing sums borrowed in advance for the capital programme for up to three years; to manage inflation risk by investing usable reserves in instruments whose value rises with inflation; and to manage price risk by adding diversification to the strategic pooled fund portfolio.

3.21 **Environmental, Social and Governance Policy** (ESG): considerations are increasingly a factor in global investors' decision making, but the framework for evaluating investment opportunities is still developing and therefore the Council's ESG policy does not currently include ESG scoring or other real-time ESG criteria at an individual investment level. When investing in banks and funds, the Council will prioritise banks that are signatories to the UN Principles for Responsible Banking and funds operated by managers that are signatories to the UN Principles for Responsible Investment, the Net Zero Asset Managers Alliance and/or the UK Stewardship Code.

3.22 **Business models:** Under the International Financial Reporting Standard (IFRS) 9 the accounting for certain investments depends on the Council's "business model" for managing them. The Council aims to achieve value from its treasury investments by a business model of collecting the contractual cash flows and therefore, where other criteria are also met, these investments will continue to be accounted for at amortised cost.

3.23 **Approved Counterparties:** The Council could make use of the following counterparties for both Treasury and Non Treasury investments:

Treasury Investments	
UK Government	Sterling-denominated investments with or explicitly guaranteed by the UK Government, including the Debt Management Account Deposit Facility, treasury bills and gilts. These are deemed to be zero credit risk due to the government's ability to create additional currency and therefore may be made in unlimited amounts for up to 50 years

Local Authorities and other Government entities	Loans to, and bonds and bills issued or guaranteed by, other national governments, regional and local authorities and multilateral development banks. These investments are not subject to bail-in, and there is generally a lower risk of insolvency, although they are not zero risk
Banks and Building Societies (unsecured)	Accounts, deposits, certificates of deposit and senior unsecured bonds with banks and building societies, other than multilateral development banks. These investments are subject to the risk of credit loss via a bail-in should the regulator determine that the bank is failing or likely to fail. See below for arrangements relating to operational bank accounts.
Operational Bank Accounts	The Council may incur operational exposures, for example though current accounts, collection accounts and merchant acquiring services, to any UK bank with credit ratings no lower than BBB- and with assets greater than £25 billion. These are not classed as investments but are still subject to the risk of a bank bail-in, and balances will therefore be kept below £500,000 per bank. The Bank of England has stated that in the event of failure, banks with assets greater than £25 billion are more likely to be bailed-in than made insolvent, increasing the chance of the Council maintaining operational continuity.
Money Market Funds	Pooled funds that offer same-day or short notice liquidity and very low or no price volatility by investing in short-term money markets. They have the advantage over bank accounts of providing wide diversification of investment risks, coupled with the services of a professional fund manager in return for a small fee. Although no sector limit applies to money market funds, the Council will take care to diversify its liquid investments over a variety of providers to ensure access to cash at all times.
Strategic Pooled Funds	Bond, equity and property funds, including exchange traded funds, that offer enhanced returns over the longer term but are more volatile in the short term. These allow the Council to diversify into asset classes other than cash without the need to own and manage the underlying investments. Because these funds have no defined maturity date, but can be either withdrawn after a notice period or sold on an exchange, their performance and continued suitability in meeting the Council's investment objectives will be monitored regularly.
Real Estate Investment Trusts	Shares in companies that invest mainly in real estate and pay the majority of their rental income to investors in a similar manner to pooled property funds. As with property funds, REITs offer enhanced returns over the longer term, but are more volatile especially as the share price reflects changing demand for the shares as well as changes in the value of the underlying properties.
Registered Providers (unsecured)	Loans to, and bonds issued or guaranteed by, registered providers of social housing and registered social landlords, formerly known as housing associations. These bodies are regulated by the Regulator of Social Housing in England. As providers of public services, they retain the likelihood of receiving government support if needed.

Secured investments	Investments secured on the borrower's assets, which limits the potential losses in the event of insolvency. The amount and quality of the security will be a key factor in the investment decision. Covered bonds, secured deposits, and reverse repurchase agreements with banks and building societies are exempt from bail-in. Where there is no investment specific credit rating, but the collateral upon which the investment is secured has a credit rating, the higher of the collateral credit rating and the counterparty credit rating will be used. The combined secured and unsecured investments with any one counterparty will not exceed the cash limit for secured investments.
Other Investments	This category covers treasury investments not listed above, for example unsecured corporate bonds and unsecured loans to companies and universities. Non-bank companies cannot be bailed-in but can become insolvent placing the Council's investment at risk.
Non-Treasury Investments	
Non-Treasury Investments	The Council invests in property in the borough and will, where there are opportunities, consider further investment, where this is primarily related to the functions of the Council such as service delivery and regeneration. However, the Council will not borrow to invest primarily for financial return.

3.24 The Council will retain the CCLA property fund and keep the remaining monies primarily in Money Market Funds and the Debt Management Account Deposit Facility (DMADF) (an investment facility operated by the UK Government) or other counterparties in table 4.1. The Head of Finance and Procurement does not believe that investing in equity or bond funds is advisable at the current time, given equity market valuations and the impact on bond investments. This will be reviewed as market conditions develop.

3.25 Currently the Council makes no direct investments in equities or corporate bonds. If this changed in the year the Head of Finance and Procurement will ensure that investments are consistent with the Council's health and climate change objectives.

3.26 Credit ratings are obtained and monitored by the Council's treasury advisers, who will notify changes in ratings as they occur. Where an entity has its credit rating downgraded so that it fails to meet the approved investment criteria then:

- no new investments will be made;
- any existing investments that can be recalled or sold at no cost will be; and,
- full consideration will be given to the recall or sale of all other existing investments with the affected counterparty.

3.27 Where a credit rating agency announces that a credit rating is on review for possible downgrade (also known as "negative watch") so that it may fall below the approved rating criteria, then only investments that can be withdrawn on the next working day will be made with that organisation until the outcome of the review is announced. This policy will not apply to negative outlooks, which indicate a long-term direction of travel, rather than an imminent change of rating.

3.28 The Council understands that credit ratings are good, but not perfect, predictors of investment default. Full regard will therefore be given to other available information on the credit quality of the organisations in which it invests, including credit default swap prices, financial statements, information on potential government support, reports in the quality financial press and analysis and advice from the Council's treasury management adviser. No investments will be made with an organisation if there are substantive doubts about its credit quality, even though it may meet the credit rating criteria.

3.29 When deteriorating financial market conditions affect the creditworthiness of all organisations, as happened in 2008, 2020 and 2022, this is not generally reflected in credit ratings, but can be seen in other market measures. In these circumstances, the Council will restrict its investments to those organisations of higher credit quality and reduce the maximum duration of its investments to maintain the required level of security. The extent of these restrictions will be in line with prevailing financial market conditions. If these restrictions mean that insufficient commercial organisations of high credit quality are available to invest the Council's cash balances, then the surplus will be deposited with the UK Government, or with other local authorities. This will cause investment returns to fall, but will protect the principal sum invested.

3.30 The Council currently has the following Investments:

Counterparty	**Average Rate %**	**Balance Invested at 30 November 2024 £'000**
Invesco Money Market Fund	4.76	3,000
DWS (Deutsche) Money Market Fund	4.65	3,000
Goldman Sachs Money Market Fund	4.65	3,000
Aberdeen Standard Money Market Fund	4.73	3,000
Black Rock Money Market Fund	4.75	3,000
Morgan Stanley Money Market Fund	4.72	3,000
SSGA Money Market Fund	4.70	3,000
JP Morgan	4.64	3,000
CCLA Property Fund	4.83	3,000
DMADF (Bank of England)	4.70	3,900
Total Investments		**30,900**

3.31 The definition of investments in CIPFA's revised Codes now covers all the financial assets of the Council, as well as other non-financial assets which the Council holds primarily for financial return.

3.32 The Council has not made, and will not make, any direct commercial investments outside of the Borough. Capital funds will be used for the benefit of local residents.

3.33 At 31 March 2024 the Council held £3.896 million of longstanding investments in 11 directly owned properties within the borough. These investments generated £0.2 million of investment income for the Council in 2023/24 after taking account of direct costs, representing a rate of return of 5.7%. No significant change in this Investment is anticipated in 2025/26.

3.34 Although not strictly counted as investments, since no money has exchanged hands yet, loan commitments carry similar risks to the Council and are included here for completeness.

3.35 The loans made by the Council are shown below:

	31 March 2024 **£'000**
Housing repair loans	1,747
Rent Deposit Scheme	136
Opportunities for Sittingbourne Limited	118
Other debtors	54
Total	**2,055**

3.36 The main risk when making service loans is that the borrower will be unable to repay the principal lent and/or the interest due. In order to limit this risk, a loss allowance is calculated for each debt reflecting the statistical likelihood that the debtor will be unable to meet their contractual commitments to the Council, which for 2023/24 was £113,000. The loss allowance has been calculated by reference to the Council's historic experience of default. In addition, to mitigate risk, all debts have to be managed in accordance with the Council's Financial Regulations.

3.37 The most significant loans shown are the Housing Repair Loans which are loans for private sector housing home adaptations – landlords and owner-occupiers can apply for a loan for adaptations that will enable them to stay in their own homes. The risk relating to these loans is low as they are a charge of the property and are repayable when a property is sold.

4. Proposal

4.1 **Approved counterparties**: The Council may invest its surplus funds with any of the counterparty types in the table below, subject to the cash limits (per counterparty) and the time limits shown.

Counterparty	**Time Limit**	**Cash Limits**
The UK Government	50 years	Unlimited
Local Authorities and other government entities	25 years	£3m
Major UK banks / building societies unsecured deposits*	13 months	£3m
Money Market Funds*	n/a	£3m each
Strategic Pooled Funds	n/a	£3m each
CCLA Property Fund	n/a	£3m
Registered providers (unsecured) *	5 years	£3m in aggregate
Secured Investments *	25 years	£3m in aggregate
Other Investments *	5 years	£3m in aggregate
Non treasury investments	As per credit advice	To be agreed on a case by case basis

This table must be read in conjunction with the notes below.

* **Minimum credit rating**: Treasury investments in the sectors marked with an asterisk will only be made with entities whose lowest published long-term credit rating is no lower than A-. Where available, the credit rating relevant to the specific investment or class of investment is used, otherwise the counterparty credit rating is used. However, investment decisions are never made solely based on credit ratings, and all other relevant factors including external advice will be taken into account.

4.2 The Director of Resources in consultation with the Chair of Policy and Resources committee may consider longer duration depending on market conditions.

4.3 The Council may also purchase property for investment purposes, but the Council will not borrow to invest primarily for financial return. The Council may also make loans and investments for service purposes, for example in shared ownership housing, as loans to local businesses and landlords, or as equity investments and loans to the Council's owned companies, in line with existing policies and where there is a sound business case.

4.4 The Council will only use standalone financial derivatives (such as swaps, forwards, futures and options) where they can be clearly demonstrated to reduce the overall level of the financial risks that the Council is exposed to. Embedded derivatives, including those present in pooled funds and forward starting transactions, will not be subject to this policy, although the risks they present will be managed in line with the overall treasury risk management strategy.

4.5 Financial derivative transactions may be arranged with any organisation that meets the approved investment criteria, assessed using the appropriate credit rating for derivative exposures. An allowance for credit risk calculated using the methodology in the Treasury Management Practices document will count against the counterparty credit limit and the relevant foreign country limit. In line with the CIPFA Code, the Council will seek external advice and will consider that advice before entering into financial derivatives to ensure that it fully understands the implications.

4.6 The Head of Finance and Procurement ensures that any commercial deals meet the regulatory requirements and the CIPFA prudential framework.

4.7 The Council has retained its professional client status with its providers of financial services, including advisers, banks, brokers and fund managers, allowing it access to a greater range of services, but without the greater regulatory protections afforded to individuals and small companies. Given the size and range of the Council's treasury management activities, the Head of Finance and Procurement believes this to be the most appropriate status.

Treasury Adviser

4.8 The Council has appointed Arlingclose Limited as its treasury management adviser and receives specific advice on investment, debt and capital finance issues. Officers meet with Arlingclose on a quarterly basis, receive information daily and attend relevant training courses.

4.9 The day-to-day treasury management activity is undertaken on the Council's behalf by Kent County Council's Treasury & Investments team to the criteria set out in this report. This has been particularly beneficial in using their relationships to obtain the low-cost loans from other Councils.

5. Alternative Options

5.1 The Strategy is intended to give flexibility with regard to borrowing and investment options.

5.2 The CIPFA Code does not prescribe any particular treasury management strategy for local authorities to adopt. The Director of Resources believes that the above Strategy represents an appropriate balance between risk management and cost effectiveness. Some alternative strategies, with their financial and risk management implications, are listed below.

Alternative	Impact on income and expenditure	Impact on risk management
Invest in a narrower range of counterparties and/or for shorter times	Interest income will be lower	Lower chance of losses from credit related defaults, but any such losses may be greater
Invest in a wider range of counterparties and/or for longer times	Interest income will be higher	Increased risk of losses from credit related defaults, but any such losses may be smaller
Borrow additional sums at long-term fixed interest rates	Debt interest costs will rise; this is unlikely to be offset by higher investment income	Higher investment balance leading to a higher impact in the event of a default; however long-term interest costs may be more certain
Borrow short-term or variable loans instead of long-term fixed rates	Debt interest costs will initially be lower	Increases in debt interest costs will be broadly offset by rising investment income in the medium term, but long-term costs may be less certain
Reduce level of borrowing	Saving on debt interest is likely to exceed lost investment income	Reduced investment balance leading to a lower impact in the event of a default; however, long-term interest costs may be less certain

6. Consultation Undertaken or Proposed

6.1 Consultation has been undertaken with Arlingclose, the Council's treasury advisors.

7. Implications

Issue	Implications
Corporate Plan	Good management of the Council's cash balances assists the overall financial position of the Council and this helps to meet the Corporate Plan priority of Running the Council.

Issue	Implications
Financial, Resource and Property	The budget for net investment income in 2025/26 is £(104,670).
Legal, Statutory and Procurement	Government and CIPFA requirements complied with.
Crime and Disorder	Not applicable
Environment and Climate/Ecological Emergency	Not applicable
Health and Wellbeing	Not applicable
Safeguarding of Children, Young People and Vulnerable Adults	Not applicable
Risk Management and Health and Safety	Risk is controlled through adherence to specific guidance included in CIPFA's Treasury Management Code of Practice and Cross-Sectoral Guidance Notes. The principle of security of funds over-rides investment performance considerations.
Equality and Diversity	Not applicable
Privacy and Data Protection	Not applicable

8. Appendices

8.1 The following appendices are published with this report and form part of the report.

- Appendix I Treasury Management Prudential Indicators

9. Background Papers

None

Acronyms Used:

BoE	The Bank of England
CCLA	Church, Charities and Local Authorities
CFR	Capital Financing Requirement
CIPFA	The Chartered Institute of Public Finance and Accountancy
DMADF	Debt Management Account Deposit Facility
MHCLG	Ministry of Housing, Communities and Local Government
PWLB	Public Works Loan Board

Treasury Management Prudential Indicators

Background

There is a requirement under the Local Government Act 2003 for local authorities to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the "CIPFA Prudential Code") when setting and reviewing their Prudential Indicators. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable, and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Council has fulfilled these objectives, the Prudential Code sets out the following indicators that must be set and monitored each year.

Gross Debt and the Capital Financing Requirement (CFR)

This is a key indicator of prudence. Statutory guidance states that external debt should not exceed the capital financing requirement in the previous year plus the estimates of any increase in the CFR at the end of the current year and the next two years. The table below demonstrates that the Council is complying with this aspect of the Prudential Code.

Gross Debt and the Capital Financing Requirement	**2024/25 Revised**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Financing Requirements	52,113	74,800	80,500	80,300
Gross External Debt (incl leases)	(10,000)	(37,500)	(48,000)	(50,500)
Internal Borrowing	**42,113**	**37,300**	**32,500**	**29,800**

Estimates of Capital Expenditure

This indicator is set to ensure that the level of proposed capital expenditure remains within sustainable limits and, in particular, to consider the impact on Council Tax. (See Capital Programme in 2025/26 Budget Report to Policy and Resources Committee.)

Capital Expenditure and Financing	**2024/25 Revised**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Total Expenditure	**41,816**	**21,626**	**4,935**	**2,745**
Section 106 Contribution	338	0	0	0
Grants	16,076	13,616	2,725	2,725
Capital receipts	343	0	0	0
Reserves	825	210	210	20
Borrowing	24,234	7,800	2,000	0
Total Financing	**41,816**	**21,626**	**4,935**	**2,745**

Treasury Management Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream

This is an indicator of affordability, highlighting the revenue implications of existing and proposed capital expenditure by identifying the proportion of the revenue budget required to meet financing costs, net of investment income.

Ratio of Financing Costs to Net Revenue Stream	**2024/25 Revised**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
General Fund Total	4.48%	5.64%	6.55%	6.44%

Authorised Limit for External Debt

The Authorised Limit sets the maximum level of external borrowing on a gross basis (i.e., not net of investments) for the Council. It is measured on a daily basis against all external borrowing items on the Balance Sheet (i.e., long and short-term borrowing, overdrawn bank balances and long-term liabilities). This Prudential Indictor separately identifies borrowing from other long-term liabilities such as finance leases. It is consistent with the Council's existing commitments, its proposals for capital expenditure and financing, and its approved treasury management policy statement and practices.

The Authorised Limit has been set on the estimate of the most likely, prudent but not worst-case scenario with sufficient headroom over and above this to allow for unusual cash movements.

The Authorised Limit is the statutory limit determined under Section 3(1) of the Local Government Act 2003 (referred to in the legislation as the Affordable Limit).

Authorised Limit for External Debt	**2024/25 Revised**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Borrowing	55,000	55,000	65,000	67,500
Other long-term liabilities	2,500	2,500	2,500	2,500
Total	**57,500**	**57,500**	**67,500**	**70,000**

Treasury Management Prudential Indicators

Operational Boundary for External Debt

The operational boundary is based on the Council’s estimate of most likely (i.e., prudent but not worst case) scenario for external debt. It links directly to the Council’s estimates of capital expenditure, the capital financing requirement and cash flow requirements, and is a key management tool for in-year monitoring. Other long-term liabilities comprise finance leases and other liabilities that are not borrowing but form part of the Council’s debt.

Operational Boundary	**2024/25 Revised £’000**	**2025/26 Estimate £’000**	**2026/27 Estimate £’000**	**2027/28 Estimate £’000**
Borrowing	45,000	45,000	55,000	57,000
Other long-term liabilities	1,000	1,000	1,000	1,000
Total Operational Boundary	**46,000**	**46,000**	**56,000**	**58,000**

Interest Rate Exposures: This indicator is set to control the Council’s exposure to interest rate risk. The upper limits on the one-year revenue impact of a 1% rise or fall in interest rates will be:

Interest rate risk indicator	**Limit**
Upper limit on one-year revenue impact of a 1% rise in interest rates	£(180,000)
Upper limit on one-year revenue impact of a 1% fall in interest rates	£180,000

Maturity Structure of Borrowing

This indicator is set to control the Council’s exposure to refinancing risk. The upper and lower limits on the maturity structure of fixed rate borrowing will be:

Maturity Structure of Borrowing	**Lower Limit for 2025/26 %**	**Upper Limit for 2025/26 %**
Under 12 months	0	100
12 months and within 24 months	0	100
24 months and within 5 years	0	100
5 years and within 10 years	0	100
10 years and above	0	100

Time period starts on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

Treasury Management Prudential Indicators

Long-term treasury management investments

The purpose of this indicator is to control the Council's exposure to the risk of incurring losses by seeking early repayment of its investments. The prudential limits on the long-term treasury management investments will be:

Price Risk Indicator	2025/26 Estimate £'000	2026/27 Estimate £'000	2027/28 Estimate £'000	No Fixed Date £'000
Limit on principal invested longer than 1 year	10,000	10,000	10,000	10,000

Long-term investments with no fixed maturity date include strategic pooled funds and real estate investment trusts but exclude money market funds and bank accounts with as these are considered short-term.

Liability benchmark: To compare the Council's actual borrowing against an alternative strategy, a liability benchmark has been calculated showing the lowest risk level of borrowing. This assumes that cash and investment balances are kept to a minimum level of £10m at each year-end to maintain sufficient liquidity but minimise credit risk.

The liability benchmark is an important tool to help establish whether the Council is likely to be a long-term borrower or long-term investor in the future, and so shape its strategic focus and decision making. The liability benchmark itself represents an estimate of the cumulative amount of external borrowing the Council must hold to fund its current capital and revenue plans while keeping treasury investments at the minimum level required to manage day-to-day cash flow.

Prudential Indicator: Liability benchmark

	31.3.24 Actual £m	31.3.25 Estimate £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m
Loans CFR	52.1	74.8	80.5	80.3	78.1
Less: Balance sheet resources	(55.4)	(52.1)	(50.6)	(47.6)	(47.7)
Net loans requirement	**(3.3)**	**22.7**	**29.9**	**32.7**	**30.4**
Plus: Liquidity allowance	10	10	10	10	10
Liability benchmark	**6.7**	**32.7**	**39.9**	**42.7**	**40.4**

The long-term liability benchmark above assumes capital expenditure funded by borrowing, minimum revenue provision on new capital expenditure based on income, expenditure and reserves all increasing by inflation and appropriate asset life values (8 years for waste vehicles, 50 years for all other assets).

Treasury Management Prudential Indicators