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Agenda

Audit Committee Meeting

Date: Wednesday, 15 October 2025
Time 7.00 pm
Venue: Council Chamber, Swale House, East Street, Sittingbourne, ME10 3HT

Membership:

Councillors Andy Booth, Derek Carnell, Simon Clark (Vice-Chair), Charles Gibson (Chair), 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 16 July 2025 (Minute Nos. 190 – 196) 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.

Issued on Tuesday, 7 October 2025

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

Audit Committee Meeting	
Meeting Date	15th October 2025
Report Title	Audit Committee Annual 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 the Audit Committee Annual Report for 2024/25 (appendix I) is **agreed**. 2. That the Chairman of the Audit Committee presents the report to a meeting of Full Council to demonstrate how the Committee has discharged its duties.

1 Purpose of Report and Executive Summary

1.1 The report details how the Audit Committee effectively fulfilled its duties during 2024/25. This report provides assurance to the Council that the Committee has monitored and aggressed issues of governance, risk management and internal control throughout the year.

2 Background

2.1 The Audit Committee is required to monitor internal and external audit activity, review and comment on the effectiveness of the Council's governance framework and review and approve the Council's annual statement of accounts.

3 Proposals

3.1 To agree the Audit Committee Annual Report as attached in Appendix I.

3.2 To agree the inclusion of the CIPFA checklist to support the committee in demonstrating how it fulfils its duties.

3.3 That the Chairman of the Audit Committee presents the report to a meeting of the Full Council setting out how the Committee has discharged its duties.

4 Alternative Options

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

5 Consultation Undertaken or Proposed

5.1 The draft report was sent to the Chairman of the Audit Committee for consultation prior to submission for this meeting.

6 Implications

Issue	Implications
Corporate Plan	None identified at this stage.
Financial, Resource and Property	The role of the Audit Committee includes the review of the financial reports for the Council, including the approval of the Annual Statement of Accounts.
Legal, Statutory and Procurement	None identified at this stage.
Crime and Disorder	None identified at this stage.
Environment and Climate/Ecological Emergency	None identified at this stage.
Health and Wellbeing	None identified at this stage.
Safeguarding of Children, Young People and Vulnerable Adults	None identified at this stage.
Risk Management and Health and Safety	The role of the Audit Committee requires it to consider the effectiveness of the Council's risk management arrangements.
Equality and Diversity	None identified at this stage.
Privacy and Data Protection	None identified at this stage.

7 Appendices

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

- Appendix I: Audit Committee Annual Report 2024-25

8 Background Papers

8.1 None

SWALE BOROUGH COUNCIL

Audit Committee

2024/25

Annual Report

1. Introduction by Chairman of Audit Committee

As the current Chair of the Audit Committee, it is my pleasure to introduce the annual report, providing an overview of the Committee's activity during the Municipal Year 2024/25. I would also like to recognise the work of the outgoing Chairman and his assistance in leading the committee and compiling this report.

The Council continues to face challenges from the impact of economic pressures facing the authority. As a committee, we have maintained our focus on the issues facing the Council from a risk, control, and governance perspective. This report looks back and gives us opportunity to reflect on the activity and achievements of the Committee during the Municipal Year 2024/25.

The Committee has discharged its responsibility to provide independent assurance on the adequacy of the Council's risk management framework and the associated control environment. We have also provided robust scrutiny and challenge of the Authority's financial performance.

During 2024/25 the Committee met five times, and I was pleased to note, among the highlights, the sign off of the 2023/24 Annual Accounts, consideration of the Council's risk management processes and a positive opinion on the Council's control and governance from our internal auditors.

I would like to take this opportunity to thank Members and Officers that have supported the Committee over the last year. Their professionalism, integrity, and openness have helped us to discuss, challenge and debate key issues and agree solutions and improvements where appropriate to do so.

Councillor Charles Gibson – Audit Committee Chairman

2. Purpose of the Audit Committee Annual Report

Under CIPFA best practice the Audit Committee should produce an annual report on its performance to Full Council. This report summarises the work of the Audit Committee during 2024-25 and how it has fulfilled its duty. To assess its performance the following key areas have been considered, as aligned to CIPFA best practice:

- Purpose of the Committee
- Membership and Attendance
- Performance in delivery of its Terms of Reference
- Compliance to CIPFA Audit Committee Best Practice Self-Assessment
- Conclusions including training and development

3. Purpose of the Committee

The Audit Committee operates in accordance with the **Audit Committees, Practical Guidance for Local Authorities.** This guidance (updated in 2022) sets out the purpose of an Audit Committee and is published by the Chartered Institute of Public Finance (CIPFA). The guidance states:

CIPFA's Position Statement:

Audit Committees are a key component of an authority's governance framework. Their purpose is to provide an independent and high-level focus on the adequacy of governance, risk and control arrangements. The committee's role in ensuring that there is sufficient assurance over governance risk and control gives greater confidence to all those charged with governance that arrangements are effective.

The committee has oversight of both internal and external audit together with the financial and governance reports, helping to ensure that there are adequate arrangements in place for both internal challenge and public accountability.

The Committee is independent from management and other Committees, this is important as it ensures that duties can be discharged in line with the agreed Terms of Reference (attached as an appendix to this report). This includes rights of access and reporting lines direct to statutory officers, the Head of Audit Partnership and appointed external auditors where appropriate.

The Committee is not a substitute for the management function of internal audit, risk management, governance, or any other sources of assurance. The role of the Committee is to examine these functions and to offer views and recommendations on the way in which these functions are managed and conducted.

The production and presentation of an annual report is required by the Committee's Terms of Reference. The purpose of this report is to outline where the Committee has gained assurance during the year, particularly over areas of governance, risk management, Standards, and internal control.

4. Membership & Meetings

During 2024/25 the Audit Committee was comprised of nine Members and met five times, including a meeting to elect the chairs only as part of the annual council meeting on 15 May 2024.
The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present. In addition, the Council's External Auditors (Grant Thornton) regularly attend meetings of the Committee.

The following table outlines Member attendance at 2024/25 Audit Committee meetings.

Name	Role	4-Apr-24	15-May-24	17-July-24	23-Oct-24	22-Jan-25
Cllr Simon Clark	Chair	Apologies	✓	✓	✓	✓
Cllr Derek Carnell	Vice-Chair	✓ (Chair)	✓	✓	Apologies	✓
Cllr Andy Booth	Member	Apologies	✓	Apologies	Apologies	✓
Cllr Charles Gibson	Member	Substitute	✓	Apologies	✓	✓
Cllr Angela Harrison	Member	✓	✓	✓	✓	✓
Cllr Mike Henderson	Member	Apologies				
Cllr Rich Lehmann	Member	Apologies				
Cllr Tara Noe	Member	✓	✓	✓ (Virtual)	Apologies	✓
Cllr Richard Palmer	Member	Apologies	✓	Apologies	✓	Apologies
Cllr Terry Thompson	Member		✓	✓ (Virtual)	✓	✓
Cllr Dolly Wooster	Member	✓	✓	✓	Apologies	✓
Cllr Peter Marchington	Substitute	✓				
Cllr Peter MacDonald	Substitute			✓		
Cllr Hayden Brawn	Substitute				✓	

The Committee is supported throughout the year by senior officers and managers of the Council who are regularly present, including:

- Chief Executive
- Director of Resources
- Director of Regeneration and Neighbourhoods
- Monitoring Officer
- Head of Finance
- Head of Mid Kent Audit Partnership
- Audit Manager

All Committee agendas, papers and minutes are available on the Council's website

5. Delivery of the Committees Terms of Reference

The Audit Committee have drawn on a variety of sources of assurance to fulfil their responsibilities. During 2024/25 the Committee considered, examined and made decisions on the following areas within its Terms of Reference:

Finance Activity
Treasury Management Outturn Report for 23/24 – July 2024 The report presented to Members was prepared in line with the CIPFA's Code of Practice on Treasury Management. It included Prudential Indicators and Treasury Management Strategy Statement on Financing and Investment Activities. Members approved the Treasury Management Stewardship report for 2022/23, and the Prudential and Treasury Management Indicators.
Treasury Management Quarterly Review for 24/25 – Oct 2024 and Jan 2025 This report was presented to Members. It outlined the quarterly position on treasury management transactions for 2024/25, including compliance with treasury limits and Prudential and Treasury Performance Indicators. Members noted the report, and the Prudential and Treasury Management Indicators.
Annual Financial Report 2023/24 and Audit Findings Report – Jan 2025 The report was presented to Members. It outlined the Council's Annual Financial Report for 2023/24 and included the External Auditors Findings report and the Letter of Representation for the Committees consideration. Members noted the External Auditors Findings report and approved the Annual Financial Report and Letter of Representation.
Treasury Management Strategy 2025/26 – Jan 2025 The report presented to Members included Prudential Indicators and Treasury Management Strategy Statement on Financing and Investment Activities. Members approved the Treasury Management Strategy report for 2025/26, and the Prudential and Treasury Management Indicators.
Internal Audit Activity
Internal Audit and Assurance Plan 2024/25 – April 2024 The internal Audit plan for 2024/25 was presented to members for their approval. Members approved the 2024/25 plan and noted there was enough resource to deliver the plan independently and without inappropriate influence from management.
Annual Internal Audit Report & Opinion 2023/24 – July 2024 The annual assurance report on the Council's Internal Control, Governance, and Risk Management activities was presented to Members. The report concluded that the Head of Audit was able to provide sound assurance with no qualifications to the opinion. Members noted the opinion, and the Head of Audit Partnership's assurance of independence and conformance with the standards
Internal Audit & Assurance Progress Report 2024/25 – Jan 2025 The internal audit update report presented to Members, detailed the progress against the audit plan for 2024/25. Members noted the report. This report also provided an update on the introduction of the new Internal Audit Standards and the implications for the Audit Committee
External Audit Activity
External Audit Plan 2023/24 – April 2024 External audit presented to Members the report which included an overview of the scope, cost, and timing of the audit for 2023/24. Members noted the External Audit Plan.
External Audit Annual Report 2023/24 – Jan 2025 The Annual Financial Report for 2023/24 was presented to Members. The report issued an unmodified audit opinion. This meant that no major adjustments were required to the Council's annual financial report.

External Audit Finding Report – Jan 2025 The findings on the 2023/24 audit were presented to the committee along with the Value for Money conclusion report. Members noted the report.
Other Activity
Audit Committee Annual Report 2023/24 – Oct 2024 A report on the activity of the Audit Committee was presented to members. It outlined the attendance of members, details the Terms of Reference for the committee, and activity of the committee throughout the year. The Audit Committee Annual report was agreed by Members, and the Chair of the Audit Committee will present the report to Full Council to discharge their duties.
Risk Management Annual Update – April 2024 The report detailed for Members the Council's risk management framework arrangements and how these had been complied with during the year. Members noted the risk management framework arrangements.

6. CIPFA Self-Assessment of Good Practice

The 2022 CIPFA Audit Committee Guidance provides a framework for assessing the Audit Committee against good practice. Where an Audit Committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective Audit Committee. A regular self-assessment should be used to support the planning of the Audit Committee work programme and training plans.

This can be found at Appendix B. It will also inform this annual report.

Assessing the Audit Committee against that framework, the following areas were identified for development:

- Review the Committees Terms of Reference to determine if any further improvements could be made in line with guidance available.
- An assessment be undertaken of the committee's knowledge and skills.
- Develop training and support arrangements for committee members following the knowledge and skills assessment.
- Evaluate how the committee adds value to the organisation and explore obtaining feedback on the committee's role within the organisation.
- Develop and action plan to support the committee.

There was one area of non-compliance on the subject of appointing an independent member to the committee. It is considered best practice for Audit Committees to have an independent member and is the recommendation of standard setters in the field, however, this committee has decided that it will not appoint an independent member at this time and will be reviewed again following the next Local Elections.

7. Conclusions

Whilst the Audit Committee generally complies with the CIPFA Position Statement and the self -assessment, there are some areas that could be improved upon for full compliance (see section 6 for details).

The committee understand the importance of receiving training to keep its skills and knowledge current and has regularly undertaken training throughout 2024/25, including the following to support the committee's development:

- Global Internal Audit Standards (as part of a committee meeting)
- Risk Management

These sessions have been well attended by members of the committee.

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

In addition to receiving and commenting on regular reports and attending training and development opportunities, the committee also makes recommendations to other committees and officers of the council on important items that arise through the committee's discussions.

Through this review the Audit Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2024/25, and this can also be seen as set out in the respective minutes.

Appendix A – Audit Committee Terms of Reference

Membership: Nine (9) Members

Purpose: The purpose of the Audit Committee is to provide independent assurance of the adequacy of the risk management framework and the associated control environment, independent scrutiny of the authority's financial and nonfinancial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting process.

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

Appendix B

CIPFA Self-Assessment of Good Practice – Swale Borough Council

Self-assessment of good practice

This appendix provides a high-level review that incorporates the key principles set out in CIPFA's Position Statement and this publication. Where an audit committee has a high degree of performance against the good practice principles, it is an indicator that the committee is soundly based and has in place a knowledgeable membership. These are the essential factors in developing an effective audit committee.

A regular self-assessment should be used to support the planning of the audit committee work programme and training plans. It will also inform the annual report.

	Good practice questions	Does not comply	Partially complies and extent of improvement needed*			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
Audit committee purpose and governance						
1	Does the authority have a dedicated audit committee that is not combined with other functions (eg standards, ethics, scrutiny)?					✓
2	Does the audit committee report directly to the governing body (PCC and chief constable/full council/full fire authority, etc)?					✓
3	Has the committee maintained its advisory role by not taking on any decision-making powers?					✓
4	Do the terms of reference clearly set out the purpose of the committee in accordance with CIPFA's 2022 Position Statement?			✓		
5	Do all those charged with governance and in leadership roles have a good understanding of the role and purpose of the committee?				✓	
6	Does the audit committee escalate issues and concerns promptly to those in governance and leadership roles?					✓
7	Does the governing body hold the audit committee to account for its performance at least annually?					✓

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
8 Does the committee publish an annual report in accordance with the 2022 guidance, including:					
• compliance with the CIPFA Position Statement 2022				✓	
• results of the annual evaluation, development work undertaken and planned improvements				✓	
• how it has fulfilled its terms of reference and the key issues escalated in the year?				✓	
Functions of the committee					
9 Do the committee's terms of reference explicitly address all the core areas identified in CIPFA's Position Statement as follows?					
Governance arrangements					✓
Risk management arrangements					✓
Internal control arrangements, including: • financial management • value for money • ethics and standards • counter fraud and corruption				✓	
Annual governance statement					✓
Financial reporting					✓
Assurance framework				✓	
Internal audit					✓
External audit					✓
10 Over the last year, has adequate consideration been given to all core areas?					✓
11 Over the last year, has the committee only considered agenda items that align with its core functions or selected wider functions, as set out in the 2022 guidance?					✓
12 Has the committee met privately with the external auditors and head of internal audit in the last year?					✓

Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
	Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
Weighting of answers	0	1	2	3	5
Membership and support					
13 Has the committee been established in accordance with the 2022 guidance as follows?					
• Separation from executive					✓
• A size that is not unwieldy and avoids use of substitutes				✓	
• Inclusion of lay/co-opted independent members in accordance with legislation or CIPFA's recommendation	✓				
14 Have all committee members been appointed or selected to ensure a committee membership that is knowledgeable and skilled?			✓		
15 Has an evaluation of knowledge, skills and the training needs of the chair and committee members been carried out within the last two years?			✓		
16 Have regular training and support arrangements been put in place covering the areas set out in the 2022 guidance?				✓	
17 Across the committee membership, is there a satisfactory level of knowledge, as set out in the 2022 guidance?				✓	
18 Is adequate secretariat and administrative support provided to the committee?					✓
19 Does the committee have good working relations with key people and organisations, including external audit, internal audit and the CFO?					✓
Effectiveness of the committee					
20 Has the committee obtained positive feedback on its performance from those interacting with the committee or relying on its work?				✓	
21 Are meetings well chaired, ensuring key agenda items are addressed with a focus on improvement?					✓
22 Are meetings effective with a good level of discussion and engagement from all the members?				✓	
23 Has the committee maintained a non-political approach to discussions throughout?				✓	

	Good practice questions	Does not comply	Partially complies and extent of improvement needed			Fully complies
		Major improvement	Significant improvement	Moderate improvement	Minor improvement	No further improvement
	Weighting of answers	0	1	2	3	5
24	Does the committee engage with a wide range of leaders and managers, including discussion of audit findings, risks and action plans with the responsible officers?	☐	☐	☐	☐	✓
25	Does the committee make recommendations for the improvement of governance, risk and control arrangements?	☐	☐	☐	☐	✓
26	Do audit committee recommendations have traction with those in leadership roles?	☐	☐	☐	☐	✓
27	Has the committee evaluated whether and how it is adding value to the organisation?	☐	☐	☐	✓	☐
28	Does the committee have an action plan to improve any areas of weakness?	☐	☐	✓	☐	☐
29	Has this assessment been undertaken collaboratively with the audit committee members?	☐	☐	☐	✓	☐
	Subtotal score	0	0	8	42	105
	Total score					155
	Maximum possible score					**200****

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Audit Committee Meeting	
Meeting Date	15 October 2025
Report Title	Treasury Management Quarterly Report April - June 2025
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 Quarter 1 position on treasury management transactions for 2025/26, including compliance with treasury limits and Prudential and Treasury Management Indicators.

1.2 In February 2021 the Council adopted 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 treasury management semi-annual and annual reports. This quarterly report provides an additional update.

1.3 This report includes the new requirement in the 2021 code of quarterly reporting of the treasury management prudential indicators.

1.4 The Council's Treasury Management Strategy for 2025/26 was approved at a meeting of full Council on 19 February 2025, and amended as agreed at full council on 1 October 2025. 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.

1.5 In conclusion, the Council reports that all treasury management activity undertaken in the period has complied with its Prudential Indicators for 2025/26 which were updated in October 2025 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 External Context

2.1 **Economic background:** The quarter started to significant financial market volatility as US President Donald Trump announced a wide range of ‘reciprocal’ trade tariffs in early April, causing equity markets to decline sharply which was subsequently followed by bond markets as investors were increasingly concerned about US fiscal policy. As the UK was included in these increased tariffs, equity and bond markets here were similarly affected by the uncertainty and investor concerns.

2.2 President Trump subsequently implemented a 90-day pause on most of the tariffs previously announced, which has been generally positive for both equity and bond markets since, but heighted uncertainty and volatility remained a feature over the period.

2.3 UK headline consumer price inflation (CPI) increased over the quarter, rising from an annual rate of 2.6% in March to 3.4% in May, well above the Bank of England’s 2% target. The core measure of inflation also increased, from 3.4% to 3.5% over the same period. May’s inflation figures were generally lower than in the previous month, however, when CPI was 3.5% and core CPI 3.8%. Services inflation was 4.7% in May, a decline from 5.4% in the previous month.

2.4 Data released during the period showed the UK economy expanded by 0.7% in the first quarter of the calendar year, following three previous quarters of weaker growth. However, monthly GDP data showed a contraction of 0.3% in April, suggesting growth in the second quarter of the calendar year is unlikely to be as strong as the first.

2.5 Labour market data appeared to show a softening in employment conditions as weaker earnings growth was reported for the period February to April 2025, in what would no doubt be welcome news to Bank of England (BoE) policymakers. Regular earnings (excluding bonuses) was 5.2% 3mth/year on year while total earnings was 5.3%. Both the employment and unemployment rates increased, while the economic inactivity rate and number of vacancies fell.

2.6 Having started the financial year at 4.5%, the Bank of England’s Monetary Policy Committee (MPC) cut Bank Rate to 4.25% in May. Arlingclose, the council’s treasury adviser, maintained its central view that Bank Rate would continue to fall, and that the BoE would focus more on weak GDP growth rather than stickier and above-target inflation. Two more cuts to Bank Rate are expected during 2025, taking the main policy rate to 3.75%, however the balance of risks is deemed to be to the downside as weak consumer sentiment and business confidence and investment impact economic growth.

2.7 Arlingclose's Economic and Interest Rate Forecast for the remainder of 2025/26 (based on 24th June 2025 forecast).

	Current	Sep-25	Dec-25	Mar-26	Jun-26	Sep-26	Dec-26	Mar-27	Jun-27	Sep-27	Dec-27	Mar-28	Jun-28
Official Bank Rate													
Upside risk	0.00	0.25	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Central Case	4.25	4.00	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75	3.75
Downside risk	0.00	-0.25	-0.50	-0.75	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00	-1.00

2.8 **Financial markets:** After the sharp declines seen early in the quarter, sentiment in financial markets showed signs of improvement during the period, but bond and equity markets remained volatile. Early in the period bond yields fell, but then uncertainty from the impact of US trade policy caused bonds to sell-off but from the middle of May onwards, yields have steadily declined, but volatility continues. Equity markets sold off sharply in April but have since gained back most of the previous declines, with investors seemingly remaining bullish in the face of ongoing uncertainty.

2.9 **Credit review:** Arlingclose maintained its advised recommended maximum unsecured duration limit on the majority of the banks on its counterparty list at 6 months. The other banks remain on 100 days.

2.10 During the quarter, Fitch upgraded NatWest Group and related entities to AA- from A+ due to the generally stronger business profile. Fitch also placed Clydesdale Bank's long-term A- rating on Rating Watch Positive.

2.11 Credit default swap prices on UK banks spiked in early April following the US trade tariff announcements but have since generally trended downwards and ended the quarter at levels broadly in line with those in the first quarter of the calendar year and throughout most of 2024. Overall, at the end of the period CDS prices for all banks on Arlingclose's counterparty list remained within limits deemed satisfactory for maintaining credit advice at current durations.

2.12 Financial market volatility is expected to remain a feature, at least in the near term and credit default swap levels will be monitored for signs of ongoing credit stress. As ever, the institutions and durations on the Authority's counterparty list recommended by Arlingclose remain under constant review.

Borrowing

2.13 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.

2.14 After substantial rises in interest rates since 2021 many central banks have now begun to reduce their policy rates, albeit slowly. Gilt yields have been volatile, but have reduced slightly except in the longer term in response to expectations of lower future interest rates. There has been a slight increase in gilt yields for period of around 30 years and longer, which is due primarily to an increased uncertainty premium being priced into the longer period.

2.15 The PWLB certainty rate for 10-year maturity loans was 5.38% at the beginning of the period and 5.27% at the end. The lowest available 10-year maturity rate was 5.17% and the highest was 5.56%. Rates for 20-year maturity loans ranged from 5.71% to 6.16% during the period, and 50-year maturity loans from 5.46% to 5.97%. The cost of short-term borrowing from other local authorities has been similar to Base Rate during the period at 4.0% to 4.5%.

2.16 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. PWLB loans are no longer available to local authorities planning to buy investment assets primarily for yield unless these loans are for refinancing purposes. The Authority has no new plans to borrow to invest primarily for financial return.

2.17 At 30 June the Council held £18m of loans, as part of its strategy for funding previous (and current) years' capital programmes. Outstanding loans at 30 June 2025 are detailed in the table below.

Counterparty	**Start Date**	**Maturity Date**	**Rate**	**Principal O/S (£)**
PWLB	19/03/24	31/08/25	5.33%	5,000,000
Spelthorne Borough Council	08/01/25	08/07/25	5.25%	3,000,000
Ashfield District Council	08/01/25	08/07/25	5.25%	2,000,000
Tamworth Borough Council	10/04/25	10/04/26	4.82%	3,000,000
Spelthorne Borough Council	02/04/25	02/04/26	4.80%	2,000,000
Ashfield District Council	07/05/25	07/05/26	4.80%	3,000,000
Total Borrowing				**18,000,000**

Other Debt Activity

2.18 Although not classed as borrowing, the Council also has capital financing in the form of leases.

2.19 After repayment of prior years' lease liabilities, total debt other than borrowing stood at £3.169m on 31 March 2025, taking total debt to £21.169m

Treasury Management Investment Activity

2.20 The CIPFA Treasury Management in the Public Services Code of Practice and Cross-Sectoral Guidance Notes (revised in 2021) defines treasury management investments as investments that arise from the organisation's cash flows or treasury risk management activity that ultimately represents balances that need to be invested until the cash is required for use in the course of business.

2.21 Both the CIPFA Code and government guidance require the Council to invest its funds prudently, and to have regard to the security and liquidity of its treasury investments before seeking the optimum 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.

2.22 Bank Rate reduced from 4.5% to 4.25% in May 2025. The rates on DMADF deposits ranged between 4.20% and 4.45% and money market rates between 4.22% and 4.28%.

2.23 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 Council earlier this year when the 2025/26 Treasury Strategy was approved.

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

* **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.

2.24 The Council holds significant invested funds, representing income received in advance of expenditure plus balances and reserves held. During quarter 1, the Council's investment balances ranged between £10.7 and £31.5 million due to timing differences between income and expenditure. The investment position is shown in table below. The balances invested at 30 June 2025 are detailed in the table below.

Counterparty	Long-Term Rating	Balance Invested at 30 June 2025 £'000
<u>Money Market Funds</u>		
Invesco Money Market Fund	AAAmmf	3,000
Morgan Stanley Money Market Fund	AAAmmf	3,000
Black Rock Money Market Fund	AAAmmf	3,000
Deutsche Money Market Fund	AAAmmf	1,685
Aberdeen Money Market Fund	AAAmmf	3,000
CCLA Property Fund		3,000
TOTAL INVESTMENTS		**16,685**

~~2.25~~ The Council's budgeted investment income for the three months to 30 June 2025 was £169k (£132k June 2024) and the actual income received was £238k (£177k June 2024).

2.26 The results for the three months to 30 June 2025 show that the Council achieved 0.51% average return below the average Sterling Overnight Index Average (SONIA) and 0.55% average return rate below the average Bank of England Base Rate.

<u>Externally Managed Pooled Funds</u>

2.27 The Council has £3m invested in an externally managed property fund, which is the CCLA property fund, where short term security and liquidity are lesser considerations, and the objectives instead are regular revenue income and long term price stability. The fund generated an average total return of 4.24%, comprising of a £32k (5.03%, £38k June 2024) income return. This income is included in the investment income totals reported above.

2.28 Since this fund has no defined maturity date, but is available for withdrawal after a 6 months' 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. Strategic fund investments are made in the knowledge that capital values will move both up and down over months and even years; but with the confidence that over the medium term total returns will exceed cash interest rates.

2.29 **Statutory override**: Further to consultations in April 2023 and December 2024 MHCLG wrote to finance directors in England in February 2025 regarding the statutory override on accounting for gains and losses in pooled investment funds. On the assumption that when published regulations follow this policy announcement, the statutory override will be extended up until the 1st April

2029 for investments already in place before 1st April 2024. The override will not apply to any new investments taken out on or after 1st April 2024. The Council has set up a reserve of £350k to mitigate the impact of the statutory override not being extended. In view of the fact that the override may not be extended past 2029 the authority has decided to maintain this reserve. The Council’s pooled fund investment was taken out prior to 1 April 2024, so should be subject to the extended override.

Non-Treasury Investments

2.30 The definition of investments in the Treasury Management Code now 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). As at 31 March 2025 the Council held £3.984 million of a longstanding portfolio of 11 investment properties within the borough. These investments generated £254,000 of investment income for the Council in 2024/25 after taking account of direct costs, representing a rate of return of 6.38%

Compliance with Prudential Indicators

2.31 The Head of Finance and Procurement reports that all treasury management activities undertaken during the period complied fully with the CIPFA Code of Practice and the Council’s approved Treasury Management Strategy (as amended). Compliance with specific investment limits is demonstrated in Appendix II below. There are no issues of concern to highlight with Members. The indicators are based on approved commitments and the current budget.

2.32 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 DLUHC 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 June 2025
- Appendix II: Prudential and Treasury Management Indicators

8 Background Papers

8.1 None.

Investment and Borrowing Levels

Appendix I

Investments and Borrowings as at 30 June 2025

Counterparty	Long-Term Rating	Balance Invested & Borrowed at 30 June 2025 £'000
Money Market Funds		
Invesco Money Market Fund	AAAmmf	3,000
Morgan Stanley Money Market Fund	AAAmmf	3,000
Black Rock Money Market Fund	AAAmmf	3,000
Deutsche Money Market Fund	AAAmmf	1,685
Aberdeen Money Market Fund	AAAmmf	3,000
CCLA Property Fund		3,000
TOTAL INVESTMENTS		**16,685**
External Borrowings	**Maturity Date**	**£'000**
PWLB Loan	01/09/2025	(5,000)
Spelthorne Borough Council	08/07/2025	(3,000)
Ashfield District Council	08/07/2025	(2,000)
Tamworth Borough Council	10/04/2026	(3,000)
Spelthorne Borough Council	02/04/2026	(2,000)
Ashfield District Council	07/05/2026	(3,000)
TOTAL BORROWING		**(18,000)**

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 2025/26

Investments	Balance on 01/04/2025 £'000	Investments Made £'000	Investments Repaid £'000	Balance on 30/06/2025 £'000	Average Rate %
Short Term Investments & Money Market Funds	7,910	62,285	(56,510)	13,685	3.80

Pooled Property Fund	3,000	0	0	3,000	4.24
TOTAL INVESTMENTS	**10,910**	**62,285**	**(56,510)**	**16,685**	

Borrowing Activity in 2025/26

Borrowing	Balance on 01/04/2025 £'000	Borrowing Made £'000	Borrowing Repaid £'000	Balance on 30/06/2025 £'000	Average Rate %
External Borrowing	13,000	8,000	(3,000)	18,000	5.04
Total Borrowing	**13,000**	**0**	**0**	**18,000**	

The Council's short-term borrowing cost has remained high with the currently high Base Rate and short-dated market rates. The average rate on the Council's loans at 30 June 2025 was 5.04%.

Non-Treasury Investments

The definition of investments in the 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 £3.984m (£3.896m March 2024) of a long-standing portfolio of 11 investment properties within the borough. These investments generated £0.3m (£0.2m March 2024) of annual investment income for the Council after taking account of direct costs, representing a rate of return of 6.4% (5.7% March 2024).

Prudential and Treasury Management Indicators

Appendix II

1. 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.

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	**2024/25 Actual**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
	£'000	**£'000**	**£'000**	**£'000**
Capital Financing Requirements	62,654	74,800	80,500	80,300
External Borrowing	(13,000)	(37,500)	(48,000)	(50,500)
Cumulative External Borrowing Requirements	**49,654**	**37,300**	**32,500**	**29,800**

External Borrowing: as at 30 June 2025 the Council had £18 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	**2024/25 Actual £'000**	**2025/26 Original Estimate £'000**	**2026/27 Original Estimate £'000**	**2027/28 Original Estimate £'000**
Total Expenditure	**16,827**	**21,626**	**4,935**	**2,745**
Source of Funding				
Capital grants and other contributions	7,765	13,616	2,725	2,725
Reserves	130	210	210	20
Borrowing	8,932	7,800	2,000	0
Capital Receipts	0	0	0	0
Direct Revenue Funding	0	0	0	0
Total Financing	**16,827**	**21,626**	**4,935**	**2,745**

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	**2024/25 Actual**	**2025/26 Estimate**	**2026/27 Estimate**	**2027/28 Estimate**
	7.61%	5.64%	6.55%	6.44%

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 30/06/2025	**£'000**
Borrowing	18,000
Other Liabilities	3,169
Total	**21,169**

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).

Compliance with the authorised limit for external debt is demonstrated in table below.

Authorised Limit and Total Debt	**2025/26 Limit £'000**	**30/06/2025 Actual Debt £'000**	**Complied**
Borrowing	55,000	18,000	✓
Other Long-Term Liabilities	9,000	3,169	✓
Total Authorised Limit	**64,000**	**21,169**	✓

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	**2025/26 Boundary £'000**	**30/06/2025 Actual Debt £'000**	**Complied**
Borrowing	45,000	18,000	✓
Other Long-term Liabilities	5,000	3,169	✓
Total Debt	**50,000**	**21,169**	✓

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 revised Authorised Limit and the Operational Boundary during the period to 30 June 2025.

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 30/06/25	2025/26 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 Council’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 30/06/25 %	Lower Limit for 2025/26 %	Upper Limit for 2025/26 %	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	✓

Time periods start on the first day of each financial year. The maturity date of borrowing is the earliest date on which the lender can demand repayment.

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. 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 limits are:

	2024/25 £'000	**2025/26 £'000**	**2026/27 £'000**	**No fixed date £'000**
Limit on principal invested beyond year end	10,000	10,000	10,000	10,000
Actual principal invested beyond year end	0	0	0	3,000
Complied?	✓	✓	✓	✓

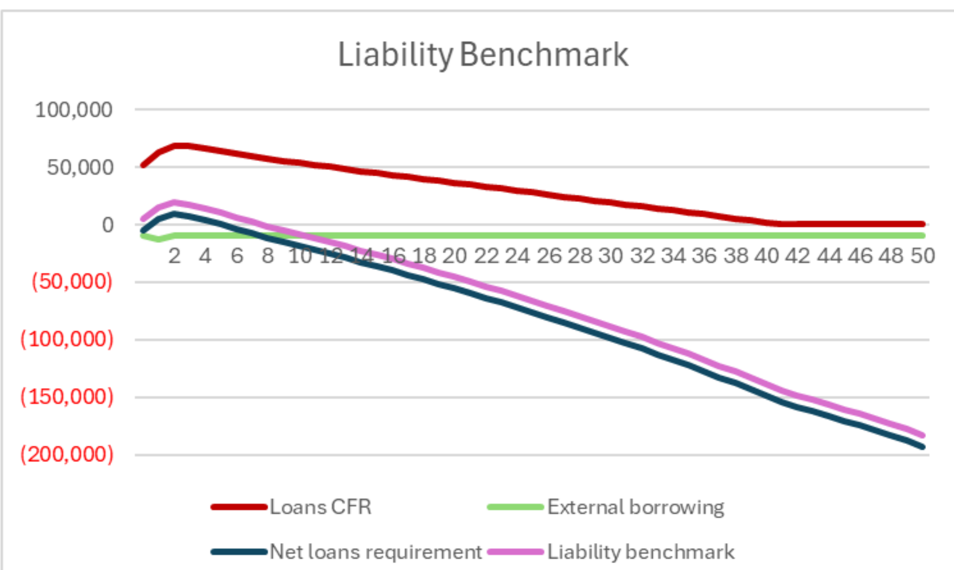
11. Investment Benchmarking for the three months to 30 June 2025

Average Actual Return on Investments	Original Estimated Return on Investments	Average Bank Base Rate	Average Overnight SONIA Rate
3.80%	4.50%	4.35%	4.31%

12. Liability Benchmark

	31.3.25 Actual £m	31.3.26 Forecast £m	31.3.27 Forecast £m	31.3.28 Forecast £m	31.3.29 Forecast £m
Loans CFR	62.7	68.4	68.1	65.9	63.6
Less: Balance sheet resources	(57.5)	(58.9)	(60.4)	(61.9)	(63.5)
Net loans requirement	**5.2**	**9.5**	**7.7**	**4.0**	**0.1**
Plus: Liquidity allowance	10.0	10.0	10.0	10.0	10.0
Liability benchmark	**15.2**	**19.5**	**17.7**	**14.0**	**10.1**

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).



Audit Meeting	
Meeting Date	15 October 2025
Report Title	Annual Financial Report 2024/25 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 2025 (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 2025; 5. Approve that the Chairman of this Committee signs and dates the Annual Financial Report for the year ended 31 March 2025; 1. 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 2024/25 and includes the external auditor's Audit Findings Report for their consideration.

2 Background

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 July 2025.

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 2025. 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 15 October.

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 15 October.

Annual Financial Report 2024/25

2.6 Appendix II is the Annual Financial Report for the year ended 31 March 2025. This version has been updated to reflect amendments recommended by Grant Thornton where agreed as included within their Audit Findings report (Appendix I).

2.7 For 2024/25 the timetable for publication of the unaudited Annual Accounts 35 June 2025, the accounts were published ahead of the deadline on 6 June 2025. The external audit team commenced the audit in July 2025, 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.

2.8 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 2025 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 Considered and Rejected

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 the 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 2025 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:

- Appendix I: Audit Findings Report
- Appendix II: Letter of Representation
- Appendix III: Annual Financial Report for the year ended 31 March 2025
- Appendix IV: Auditor’s Annual Report for the year ended 31 March 2025

8 Background Papers

8.1 Detailed working papers are held in the finance department.

Audit Findings (ISA 260) Report for Swale Borough Council

Year ended 31 March 2025

October 2025

Swale Borough Council
East Street
Sittingbourne
Kent ME10 3HT

Grant Thornton UK LLP
8 Finsbury Circus
London
EC2M 7EA

www.grantthornton.co.uk

15 October 2025

Dear Members of the Audit Committee

Audit Findings for Swale Borough Council for the year ended 31 March 2025

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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 the management and will be discussed with the Audit Committee.

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 manage risk, quality and internal control particularly through our Quality Management Approach. 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-2024-.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.

Ade Oyerinde

Key Audit Partner
For Grant Thornton UK LLP

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01 Headlines

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Headlines

This page and the following 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 2025 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) and 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 is substantially complete. Our findings are summarised on pages 14 to 27. We identified one immaterial adjustment to the Council's Comprehensive Income and Expenditure Statement. This has no impact on your usable reserves. We also identified one immaterial unadjusted misstatement of £128k which management opted not to amend the financial statements on the basis it was immaterial. We also identified a small number of disclosure amendments and made 5 recommendations to improve your accounting disclosures in 2025/26 (refer appendix B).

Furthermore, the prior year error reported in 2023/24 Audit Findings Report which resulted last year's accounts being qualified is disclosed as part of 2024/25 comparator. The prior year error was a £2.085m prior period adjustment where expenditure relating to Kent County Council was recorded as Property Plant and Equipment instead of Revenue Expenditure Funded from Capital Under Statute (REFCUS) and should have been expensed. Management had chosen not to adjust the 2023/24 financial statements. The impacted comparative information includes the primary statements (Comprehensive Income and Expenditure Statement, Movement in reserves statements, Cash Flow and related notes).

Our work is substantially complete and there are no matters of which we are aware that would require material changes to the financial statements, subject to the following outstanding matters:

- PPE (awaiting a rental agreement for central park stadium from the management);
- awaiting response to queries from management and the valuer on the valuation of Right of Use asset (Pavilions and Lodge Recreational ground);
- conclusion of partner review;
- receipt and review of management's representation letter; and
- receipt and review of 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 modified. We intend to issue an 'Except for' Qualification on the 2024/25 financial statements due to a material misstatement of the comparative arising from the accounting treatment of the disposal of an item of Property, Plant, and Equipment which should have been processed via a restatement of Opening Balances as opposed to it being transacted during the 2023/24 balances. SUBJECT TO AMENDMENT FOLLOWING INTERNAL PANEL

Headlines (continued)

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.

Our VFM work is substantially complete, which is summarised in section 6 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 have completed the work required under the Code. However, we cannot formally conclude the audit and issue an audit certificate in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we receive confirmation from the NAO that the group audit of the Whole of Government Accounts has been certified by the Comptroller & Auditor General. Therefore, no further work is required to be undertaken in order to discharge the auditor's duties in relation to consolidation returns under paragraph 2.11 of the Code.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

Significant matters

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

Headlines (continued)

National context – audit backlog

Government proposals around the backstop

On 30 September 2024, the Accounts and Audit (Amendment) Regulations 2024 came into force. This legislation introduced a series of backstop dates for local authority audits. These Regulations required audited financial statements to be published by the following dates:

- For years ended 31 March 2025 by 27 February 2026
- For years ended 31 March 2026 by 31 January 2027
- For years ended 31 March 2027 by 30 November 2027

The statutory instrument is supported by the National Audit Office's (NAO) new Code of Audit Practice 2024. The backstop dates were introduced with the purpose of clearing the backlog of historic financial statements and enable the reset of local audit. Where audit work is not complete, this will give rise to a disclaimer of opinion. This means the auditor has not been able to form an opinion on the financial statements.

We intend to finalise this audit in advance of the backstop date for the 2024-25 financial year, and the Council will not be affected by the backstop legislations for the audit current audit year and prior years. We would like to express our appreciation for the continued assistance provided by finance team and other staff of the Council, supporting the audit process fully.

Headlines (continued)

Implementation of IFRS 16

Implementation of IFRS 16 Leases became effective for local government bodies from 1 April 2024. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and replaces IAS 17. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

Local government accounts webinars were provided for our local government audit entities during March, covering the accounting requirements of IFRS 16. Additionally, CIPFA has published specific guidance for local authority practitioners to support the transition and implementation on IFRS 16.

Introduction

IFRS 16 updates the definition of a lease to:

- "a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration."

In the public sector the definition of a lease is expanded to include arrangements with nil consideration. This means that arrangements for the use of assets for little or no consideration (sometimes referred to as peppercorn rentals) are now included within the definition of a lease.

IFRS 16 requires the right of use asset and lease liability to be recognised on the balance sheet by the lessee, except where:

- leases of low value assets
- short-term leases (less than 12 months).

This is a change from the previous requirements under IAS 17 where operating leases were charged to expenditure.

The principles of IFRS 16 also apply to the accounting for PFI liabilities.

The changes for lessor accounting are less significant, with leases still categorised as operating or finance leases, but some changes when an authority is an intermediate lessor, or where assets are leased out for little or no consideration.

Impact on the Council

In the current year, the implementation of IFRS 16 has resulted in the first-time recognition of a right-of-use asset of £2.4m and a corresponding lease liability of £3.2m on the Council's balance sheet. Additionally, corresponding movements have been charged in the Comprehensive Income and Expenditure Statement (CIES) and the Movement in Reserves Statement (MIRS).

The difference between the value of right-of-use assets and lease liabilities is primarily due to the year-end fair value revaluation of right-of-use assets.

New accounting policies were included in the financial statements, and additional disclosures relating to leases have been added in Note 43 of the accounts in accordance with the requirements of the IFRS 16 as adopted by CIPFA Code. Refer to page 19 for further details on our audit procedures and findings.

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02 Materiality

Our approach to materiality

As communicated in our Audit Plan dated 18 July 2025, we determined materiality at the planning stage as £1.85m based on 2.5% of prior year gross expenditure. At year-end, we reassessed materiality based on the draft financial statements and revised materiality levels upwards. The upward revision is a result of an overall increase in Council's gross expenditure of 8% from the prior year. A recap of our approach to determining materiality is set out below.

Basis for our determination of materiality

- We have determined materiality of £2m (PY: £1.52m) (financial statement materiality for the audit) based on professional judgement in the context of our knowledge of the Council, including consideration of factors such as stakeholder expectations, industry developments, financial stability and reporting requirements for the financial statements
- We have used 2.5% (PY: 1.95%) of gross expenditure as the basis for determining materiality

Performance materiality

- We have determined performance materiality at £1.4m, representing 70% of headline materiality (prior year: 75%). The reduction in the percentage reflects the increased risk arising from error identified in prior year, which resulted in a qualified audit opinion.

Reporting threshold

- We will report to you all misstatements identified in excess of £100k (PY: 76k), in addition to any matters considered to be qualitatively material. This is approximately 5% (PY: 5%) of the materiality.

	Final £	Planning £
Materiality for the financial statements	2,000,000	1,850,000
Performance Materiality	1,400,000	1,295,000
Reporting threshold	100,000	92,500

03 Overview of significant and other risks identified

Overview of audit risks

Significant risks are defined by ISAs (UK) as an identified risk of material misstatement for which the assessment of inherent risk is close to the upper end of the spectrum due to the degree to which risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement if that misstatement occurs.

Other risks are, in the auditor's judgement, those where the risk of material misstatement is lower than that for a significant risk, but they are nonetheless an area of focus for our audit.

The below table summarises the significant and other risks discussed in more detail on the subsequent pages.

Risk title	Risk level	Change in risk since Audit Plan	Fraud risk	Level of judgement or estimation uncertainty	Status of work
Management override of controls	Significant	↔	✓	Low	● Green
Valuation of land and buildings	Significant	↔	✗	High	● Green
Valuation of the pension fund net liability/asset	Significant	↔	✗	High	● Green

↑ Assessed risk increase since Audit Plan
↔ Assessed risk consistent with Audit Plan
↓ Assessed risk decrease since Audit Plan

● Green - Not likely to result in material adjustment or change to disclosures within the financial statements
● Amber - Potential to result in material adjustment or significant change to disclosures within the financial statements
● Red - Likely to result in material adjustment or significant change to disclosures within the financial statements

Significant risks

Risk identified	Audit procedures performed	Conclusions
Management override of controls Under ISA (UK) 240, there is a non-rebuttable presumption 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 controls, in particular journals, management estimates and transactions outside the course of business as a significant risk of material misstatement.	To address this risk, we performed the following: • evaluated the design and implementation of management controls over journals. • analysed the journals listing and determined the criteria for selecting high risk unusual journals. • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration to supporting evidence. • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. • evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. We tested a total of 18 journals.	Our audit work is complete and we have not identified any issue in respect of management override of controls.

Significant risks (continued)

Risk identified	Audit procedures performed	Conclusions
Valuation of land and buildings The Council carries out revaluation for operational land and buildings on 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.	To address this risk, we performed the following: • evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work; • evaluated the competence, capabilities and objectivity of the valuation expert; • wrote to your valuer to confirm the basis on which the valuation was carried out to ensure that the requirements of the Code are met and discuss this basis where there are any departures from the Code; • concluded there were no complex valuation techniques and there was no need to engage our valuation expert; • challenged the information and assumptions used by the valuer to assess 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 on a sample basis, revaluations made during the year to see if they are input correctly into the Authority's asset register; • evaluated the assumptions made by management for any assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value; and • for all assets not formally revalued, evaluate the judgement made by management or others in determination of current value of these assets.	Our audit work is substantially complete. We have not identified any material issue in respect of valuation of land and buildings subject to the satisfactory conclusion of the outstanding matter referred to on page 6.

Significant risks (continued)

Risk identified	Audit procedures performed	Conclusions
Valuation of net pension liability/asset The Council's share of the 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. We therefore identified valuation of the pension fund net liability as a significant risk. We have pinpointed this significant risk to the assumptions applied by the professional actuary in their calculation of the net liability.	To address this risk, we performed the following: • 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 management to the actuary to estimate the liability. • tested the consistency of the pension fund liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary. • reviewed the IFRIC 14 assessment carried by management's expert actuary. • undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing 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 is complete and we have not identified any issue regarding valuation of net pension liability.

Other risks

Risk identified	Audit procedures performed	Conclusions
Presumed risk of fraud in expenditure recognition In line with the Public Audit Forum Practice Note 10, in the public sector, auditors must also consider the risk that material misstatements due to fraudulent financial reporting may arise from the manipulation of expenditure recognition (for instance by deferring expenditure to a later period). Having considered the nature of all expenditure streams at the Council, we considered the risk that expenditure may be misstated due to the improper recognition of expenditure and concluded that there is not a significant risk for all expenditure streams. This is due to the low fraud risk in the nature of the underlying transaction, which would require a significant number of transactions to be incorrectly recorded to cause a material misstatement. We determined that the risk of fraud arising from expenditure recognition can be rebutted, because: • there is little incentive to manipulate expenditure recognition; • opportunities to manipulate expenditure recognition are limited; and • the culture and ethical frameworks of local authorities, including that of the Council, meaning that all forms of fraud are seen as unacceptable. Based on our assessment, no specific fraud risk factors have been identified and therefore we do not consider expenditure recognition to be a significant risk for the Council. Though we rebutted the risk of fraud above, we considered that the risk relating to expenditure recognition may be prevalent around manual accruals of expenditure around year-end and the potential volume at year-end increasing the risk of error in expenditure recognition.	To address this risk, we performed the following: • evaluated the Council's accounting policy for the recognition of expenditure and confirmed that it is appropriate and in compliance with the Code. • on a sample basis, we agreed relevant expenditure, year-end payables, and accruals to underlying invoices and other supporting documentation. • tested a sample of payments and invoices received in the period before and after 31 March 2025 to ensure they were included in the correct financial year, gaining assurance over completeness	Our audit work is complete and we have not identified any issue regarding expenditure recognition.

Other risks (continued)

Risk identified	Audit procedures performed	Conclusions
Risk of fraud and error in revenue recognition (rebutted for all streams) Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition. In our risk assessment of all revenue streams for the Council, we considered the risk factors set out in ISA 240 and nature of the revenue streams at the Council. Based on that, we rebutted the presumed risk that revenue may be misstated due to the improper recognition of revenue for all revenue streams, which would require a significant number of transactions to be incorrectly recorded to cause a material misstatement. This is due to the low fraud risk in the nature of the underlying transactions. We 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 limited; and • the culture and ethical frameworks of local authorities, including that of the Council, meaning that all forms of fraud are seen as unacceptable. Based on our assessment, no specific fraud risk factors have been identified and therefore we do not consider revenue recognition to be a significant risk for the Council.	To address this risk, we performed the following: • evaluated the Council's accounting policy for recognition of income for appropriateness and compliance with the Code • tested a sample of revenue items from income during the year, as well as year-end receivables and income accruals, and verified them against invoices and supporting evidence to gain assurance over accuracy and occurrence • tested a sample of receipts and invoices raised in the period before and after 31 March 2025 to ensure they were included in the correct financial year, gaining assurance over completeness.	Our audit work is complete and we have not identified any issue regarding revenue recognition.

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Other risks (continued)

Risk identified	Audit procedures performed	Conclusions
IFRS 16 Leases implementation IFRS 16 Leases is now mandatory for all local government bodies from 1 April 2024. The standard replaced IAS 17 Leases, and the three interpretations that supported its application (IFRIC 4 Determining whether an arrangement contains a lease, SIC-15 Operating leases – incentives, and SIC-27 Evaluating the substance of transactions involving the legal form of a lease). Under the new standard the current distinction between operating and finance leases is removed for lessees and, subject to certain exceptions, lessees will recognize all leases on their balance sheet as right of use (ROU) assets, representing the right to use the underlying leased assets, and a corresponding liability representing its obligation to make lease payments. The Code adapts IFRS 16 and requires that the subsequent measurement of the ROU asset where the underlying asset is an item of property, plant and equipment is measured in accordance with section 4.1 of the Code.	To address this risk, we reviewed the following: • accounting policies and disclosures in relation to IFRS 16; • application of judgment and estimation; • systems to capture the process and maintain new lease data and for ongoing maintenance; • accounting for what were operating leases; • identification of peppercorn rentals and recognising these as leases under IFRS 16 as appropriate.	Our audit work is substantially complete subject to the satisfactory conclusion of the outstanding issue set out on page 6 in relation to the adoption of IFRS 16. We note from our review of peppercorn leases that: – We identified 10 finance leases classified under Land and Buildings (L&B) and community assets with a net book value of £1.75m that were not reclassified to Right-of-Use (RoU) assets on transition to IFRS 16. Following our discussion with management, 7 out of the 10 were reclassified. Three remaining assets of £134,367 under Land and buildings, Community and Infrastructure Assets are yet to be reclassified. Management confirmed these will be reclassified during 2025/26. Refer recommendation in appendix B. – Furthermore, we note one asset within the 8 reclassified leases above was initially valued on a DRC basis at £1.578m as at 31 March 2025. Subsequently, it was revalued on a fair value basis at £104,000. Management has written it out of L&B and recognised it as an RoU asset at the revised fair value of £104,000. At the time of writing, we are awaiting details of the valuation from both management and the valuer to conclude our work.

04 Other findings

Other findings – key judgements and estimates

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

Key judgement or estimate	Summary of management's approach	Auditor commentary	Assessment
Valuation of land and buildings £87.3m at 31 March 2025	Other land and buildings (OLB) comprises £33.3 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 £39.4m 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 £16.3 million, these assets were assessed by the management expert using indices from their last valuation date to 31 March 2025 to ensure they were not materially misstated.	We considered and completed the following in the course of our testing: • we are satisfied that the Council's expert is objective, competent and knowledgeable in their field of expertise; • we have reviewed the completeness and accuracy of the underlying information used to determine the valuation. This included testing accuracy of floor areas plans provided to the valuer; querying yield percentages used by the valuer against comparable market evidence; • we have assessed the appropriateness of the valuation method, the assumptions made in respect of obsolescence and any local factors; • we have also reviewed the adequacy of disclosure in the financial statements; and • reviewed management's assessment of those assets not revalued in the year.	● 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

Other findings – key judgements and estimates (continued)

Key judgement or estimate

Valuation of net pension liability

£7.728m

IFRIC 14 limits the measurement of the defined benefit asset to the 'present value of economic benefits' available in the form of refunds from the plan or reductions in future contributions to the plan.

Summary of management's approach

The Council's net pension liability at 31 March 2025 is £7.7 million (PY £10.7 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.

Auditor commentary

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:

Assumption	Actuary value	PwC range	Assessment
Discount rate	5.80%	5.60 to 5.95%	Reasonable
Pension increase rate	2.90%	2.85% to 2.95%	Reasonable
Salary growth	3.90%	3.85% to 3.95%	Reasonable
Life expectancy – Males currently aged 65 today / in 20 years	20.7 / 22.0	In line with the expectation	Reasonable
Life expectancy – Females currently aged 65 today / in 20 years	23.3 / 24.7	In line with the expectation	Reasonable

- 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.

Our audit work is complete. We have not identified any material issue in respect of your valuation of the pension fund net liability.

Assessment

Green

Other findings – information technology

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

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

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Assessment:

- Red - Significant deficiencies identified in IT controls relevant to the audit of financial statements
- Amber - Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
- Green - IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
- Black - Not in scope for assessment

05 Communication requirements and other responsibilities

Other communication requirements

Issue	Commentary
Matters in relation to fraud	We previously discussed the risk of fraud with the Audit Committee. We have not been made aware of any 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	A letter of representation has been requested from management, which is presented as a separate item for presentation along this report. There were no specific representations requested from management.
Confirmation requests from third parties	We requested from management permission to send confirmation requests to the Council's banking and treasury partners. This permission was granted, and the requests were sent. All requests that were sent to counterparties were returned.
Disclosures	Our review found no material omissions in the financial statements. We have reported immaterial disclosure misstatements in Appendix D of this report.
Audit evidence and explanations	All information and explanations requested from management were provided.
Significant difficulties	There were no significant difficulties. Members of the finance were available to provide evidence and explanations as required throughout the audit.

Other responsibilities

Issue	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 2024). 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 • 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 considered and evaluated: • the nature of the Authority and the environment in which it operates • the Authority’s financial reporting framework • the Authority’s system of internal control for identifying events or conditions relevant to going concern • 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.

Other responsibilities (continued)

Issue	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, and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.
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. • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. 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. Note that work is not required as the Council does not exceed the threshold. We will complete the Assurance Statement after the conclusion of the audit and share with the NAO.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2024/25 audit of Swale Borough Council in the audit report until National Audit Office has concluded their work in respect of WGA for the year ended 31 March 2025.

06 Value for money arrangements

Value for money arrangements

Approach to value for money work for the year ended 31 March 2025

The National Audit Office issued its latest value for money guidance to auditors in November 2024. The Code requires auditors to consider whether a body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Additionally, the Code requires auditors to share a draft of the Auditor's Annual Report (AAR) with those charged with governance by 30 November each year from 2024-25. Our draft AAR accompanies this audit findings report as a separate Committee item.

In undertaking our work, we are required to have regard to three specified reporting criteria. These are as set out below.

Improving economy, efficiency and effectiveness

How the body uses information about its costs and performance to improve the way it manages and delivers its services.

Financial sustainability

How the body plans and manages its resources to ensure it can continue to deliver its services.

Governance

How the body ensures that it makes informed decisions and properly manages its risks.

In undertaking this work we have not identified any significant weaknesses in arrangements. Full commentary is included in our 2024-25 AAR, presented along this report.

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07 Independence considerations

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, there are no independence matters that we would like to report to you.

We confirm that we have implemented policies and procedures to meet the requirement of the Financial Reporting Council's Ethical Standard.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in February 2025 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

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

Matter	Conclusions
Relationships with Grant Thornton	We are not aware of any relationships between Grant Thornton and the Council 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 with the Council 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, senior management or staff that would exceed the threshold set in the Ethical Standard.

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.

Fees and non-audit services

The following tables below set out the total fees for audit and non-audit services that we have been engaged to provide or charged from the beginning of the financial year to the date of this report, as well as the threats to our independence and safeguards have been applied to mitigate these threats.

The below non-audit services are consistent with the Council's policy on the allotment of non-audit work to your auditor. None of the below services were provided on a contingent fee basis.

For the purposes of our audit, we made enquiries of all Grant Thornton teams within the Grant Thornton International Limited network member firms providing services to Swale Borough Council. The table summarises all non-audit services which were identified. We have adequate safeguards in place to mitigate the perceived self-interest threat from these fees.

Audit-related non-audit services

Service	2023-24 £	2024-25 £	Threats identified	Safeguards applied
Certification of Housing Benefits Subsidy claim	34,253	35,058	Self-Interest (because this is a recurring fee) Self-review (because Grant Thornton provides audit services) Management threat	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work in comparison to the total fee for the audit 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 and management threat, we have not prepared any elements of housing benefit subsidy which we are reviewing. The scope of the work does not include making decisions on behalf of management or recommending or suggesting a particular course of action for management to follow. We will perform the proposed service in line with the instructions and reporting framework issued by DWP and will report to DWP, with a copy of our report being provided to the council at the same time. Based on past experience, it is not expected that there will be material changes to housing benefit subsidy payable or receivable in future years based on the work that we perform. Any changes to the form will be agreed with the council before we conclude our report to DWP. Any changes to subsidy payable will be determined by DWP and we will have no involvement in the decision.

Fees and non-audit services (continued)

We confirm below our final fees charged for the audit.

Audit fees	Proposed fee £	Final fee £
Scale fee for Swale Borough Council	184,319	184,319
Fee variation for testing the first-year application of IFRS 16*	10,000	TBC
2023/24 Fee variation approved by PSAA	7,470	7,470
Total audit fees (excluding VAT)	**201,789**	**TBC**

*Fees are subject to PSAA approval.

Non-Audit fees	Proposed fee (£)	Final fee (£)
Certification of Housing Benefit Assurance (2024-2025) – Ongoing	35,058	TBC
Certification of Housing Benefit Assurance (2023-2024) - Ongoing	3,613	3,613
Certification of Housing Benefit Assurance (2022-2023) – Completed in April 2025	20,550	20,550
Certification of Housing Benefit Assurance (2021-2022) – Completed in December 2024	25,625	25,625
Total non-audit fees (excluding VAT)	**84,846**	**TBC**

Reconciliation to Note 13 External Audit Fees

External Audit costs per Note 13 in the Statement of Accounts	£292k
Total fees per above (rounded off)	£286k
Difference (roundings)	£5k

Appendices

A. Communication of audit matters with those charged with governance

Our communication plan	Audit Plan	Audit Findings
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 matters in relation to going concern.	●	●
Views about the qualitative aspects of the Council's accounting and financial reporting practices including accounting policies, accounting estimates and financial statement disclosures.		●
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.		●

A. Communication of audit matters with those charged with governance (continued)

Our communication plan	Audit Plan	Audit Findings
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, as a minimum a requirement exists for our findings to be distributed to all the company directors and 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 those charged with governance.

B. Action plan

We set out here our recommendations for the Council which we identified as a result of issues identified during our audit. The matters reported here are limited to those deficiencies that we identified during the course of our audit and that we concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
● Medium	**Identification of peppercorn leases** As part of our leases completeness procedures, we identified three peppercorn leases payments that are not included within the right of use assets but are included within the land and buildings, community assets and infrastructure assets with combined value of £134k. **Risk** There is a risk that peppercorn leases are omitted from Right-of-Use assets, resulting in incomplete lease accounting and potential misstatement of the balance sheet.	Review all low value lease payments if they are peppercorn leases and recognised as RoU assets. New peppercorn leases should also be revalued at fair value per the Code. **Management comments** All leases have been reviewed. The three very low value assets identified are not material and therefore are not considered a misstatement of the balance sheet. The position will be reviewed for 25/26.
● Low	**Expenditure and Funding Analysis** Expenditure and Funding Analysis was included in the primary financial statements but should have been disclosed in the Notes to the Accounts. **Risk** There is a risk that the EFA disclosure is not in line with the CIPFA code requirements.	Disclose the Expenditure and Funding Analysis as part of the 2025/26 Notes to the Accounts in accordance with CIPFA Code requirements. **Management comments** When the EFA was introduced a management decision was taken to include the table close the relevant main statement that is was designed to help clarify. The table can be moved for 2025/26, however we consider this will be a detriment to the user of the accounts.

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Key

- ● High – Significant effect on control system and/or financial statements
- ● Medium – Limited impact on control system and/or financial statements
- ● Low – Best practice for control systems and financial statements

B. Action plan

Assessment	Issue and risk	Recommendations
● Low	**PPE reclassification** One asset recorded in Vehicles, Plant, and Equipment instead of Infrastructure Assets **Risk** This may result in incorrect depreciation calculations and non-compliance with CIPFA code.	Regularly review asset classifications to ensure accuracy and compliance with CIPFA code. **Management comments** Although classified incorrectly, the asset is being depreciated correctly. The asset will be transferred in 25/26. It should be noted that the value of the asset is not material.
● Low	**Receipts from long term debtors** Receipts from long term debtors of £160k shown on the face CIES statement as a separate line should be disclosed within the financing and investment income as write down of financing long term debtors. **Risk** There is a risk that disclosures are not in line with CIPFA code requirements.	As part of your 2025/26 financial statements, disclose receipts from long term debtors within the financing and investment income in line with CIPFA code. **Management comments** Agreed.
● Low	**Revenue from contracts with service recipients** SBC has a contract generating £1.1m of revenue during the year, with contract balances of £427k. These have not been separately disclosed as revenue from contracts or contract balances. **Risk** There is a risk that the revenue contract disclosure is not in line with the CIPFA code requirements.	As part of your 2025/26 financial statements, separately disclose the revenue and contract balances for the revenue contracts in accordance with CIPFA Code requirements. **Management comments** This is not a single contract – it is c20,000 garden waste subscriptions that once paid are non refundable and so we do not consider there to be a contract balance liability to disclose. This can be revisited in 2025/26.

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C. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2023-24 financial statements, which resulted in 10 recommendations being reported in our 2023-24 Audit Findings Report. 6 of the recommendations are now closed, and we set out below the remaining in-progress recommendation.

Assessment	Issue and risk previously communicated	Auditor's update and Management action
In Progress	**Fully depreciated assets (Issue and recommendation)** We identified fully depreciated assets still recorded in the fixed asset register, with gross book values of £3.996m (2024–25) and £3.3m (2023–24). As they remain in use, this overstates gross Property, Plant and Equipment and management should reassess useful lives and adjust depreciation accordingly. **Prior year recommendation** 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 reviewed the assets as part of the year end process to identify any assets that should be removed from the list, and that was carried out. Assets that are revalued have their useful lives updated as part of the revaluation process, so the only assets that are fully depreciated are PVE assets. We have reviewed our policy on the useful life of PVE assets so that we are more realistic on additions. **Auditor's update** Our work identified similar issue in 2024/25. Management has confirmed that the recommendation is in progress.
In Progress	**Employee benefit expenditure** As part of our testing of employee benefit expenditure, we reviewed the full time equivalent (FTE) for consistency with payroll reports. We were unable to fully reconcile the all staff FTEs to the reports provided. **Prior year recommendation** 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** The limitations of the system still exist, and it is not something that we have control over. This will require a joint effort from both sides (SBC and GT) to consider how the audit requirements can be fulfilled within the limitations of the system reporting. **Auditor's update** Our work identified similar issue in 2024/25. Management has confirmed that the recommendation is in progress.

C. Follow up of prior year recommendations (continued)

Assessment	Issue and risk previously communicated	Auditor's update and Management action
In Progress	**Information sent to management expert – Investment property valuation** During our testing of the valuation of investment property, we identified that some rent agreements were revised during the year. Management experts were not informed of the change. As a result, the valuation of the impacted investment properties was based on outdated rent information. **Prior year recommendation** Management should inform valuation experts of any changes to key source data, as this data directly influences the final asset valuation. Sharing updated information with valuation experts ensures the material accuracy of the year-end valuation of these assets	**Management response** We will continue to review the process around rental agreements to ensure that up to date information is provided at the correct time. **Auditor's update** Our work identified similar issue in 2024/25. Management has confirmed that the recommendation is in progress.
In Progress	**Reconciliation of transaction listings to the accounts** As part of our testing, we identified a small number of areas where there was a trivial difference between the transaction listing extracted from the general ledger and the disclosure in the accounts. **Prior year recommendation** Management should investigate differences between the transaction listing extracted from the general ledger and the disclosure in the accounts when identified, in order to ensure the accuracy and consistency of financial reporting.	**Management response** Improvements have been made, but this will continue to be an ongoing piece of work whilst we have the current financial management system. We hope to move away from this situation with the implementation of a new financial management system, which will first be used in the production of the 2026/27 accounts. **Auditor's update** Our work identified similar issue in 2024/25. Management has confirmed that the recommendation is in progress.

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 2025

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund
Note 24 Right of Use assets Peppercorn leases previously classified within land and buildings that should be reclassified to Right-of-Use (ROU) assets on transition to IFRS 16. Amendment made.	Dr Revaluation loss in surplus/deficit - £38k	Dr ROU - £284k Dr Revaluation reserve - £1.397m Cr Land and buildings (PPE) – (£1.72m)	£38k	Nil
Overall impact of current year unadjusted misstatements	£38k	£38k	£38k	Nil

D. Audit adjustments (continued)

Impact of unadjusted misstatements in prior year

The table below provides details of misstatements identified during the prior year audit which were not adjusted for within the final set of financial statements for 2023-24, and the resulting impact upon the 2024-25 financial statements. We also present the cumulative impact of both prior year and current year unadjusted misstatements on the 2024-25 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	Reason for not adjusting
Note 24 Disposal of property, plant and Equipment In 2023/24, the Council had identified an item of Property, Plant and Equipment it did not own, requiring its return to Kent County Council. The Council had previously spent £2 million on this asset up to 2022/23. As the Council worked on an asset it did not own, it should have been accounted for as Revenue Expenditure Financed by Capital Under Statute (REFCUS). Upon discovery, the Council chose to account for the above as a disposal for nil consideration within the 2023/24 accounts. The correct approach would have been to restate the 2022/23 position to recognize the expenditure as REFCUS when incurred and restating the Balance Sheet as of 1 April 2022 and the reversal of the incorrect disposal entries in 2023/24. The 2023/24 auditor opinion issued was an 'Except For' Qualification on the accounts in respect of this issue.	Dr – Expenditure (REFCUS) 2,085*	Cr – Assets under construction (2,085)*	Nil	The changes required do not add value to the substance of the accounts. This will incur additional cost and resources that do not represent best value to the taxpayer. There is also a risk of drafting error given the number of changes required in the time available
Overall impact of prior year unadjusted misstatements	£2,085k	(£2,085k)	Nil	Nil

D. Audit adjustments (continued)

Impact of unadjusted misstatements

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000	Impact on general fund	Reason for not adjusting
Note 28 Investment properties We identified for one sample, the amounts considered in the valuation workbook did not agree with the actual rental agreement, resulting in an extrapolated variance of £128k in the valuation movement	Cr Financing and investment income – (£128k)	Dr Investment properties – £128k	0	0	Not material
Overall impact of current year unadjusted misstatements	Nil	Nil	Nil	Nil	
Cumulative impact of prior year and current unadjusted misstatements on 2024/25 financial statements	Nil	Nil	Nil	Nil	

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D. Audit adjustments – misclassification and disclosure

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	Misclassification or change identified	Adjusted?
Comprehensive Income and Expenditure Statement	Receipts from long term debtors of £160k shown on the Comprehensive Income and Expenditure Statement as a separate line should be disclosed within the financing and investment income as write down of financing long term debtors. We made a recommendation to improve your disclosure	X
Note 4 – Accounting estimates	Accounting estimates should disclose significant estimation uncertainty and the potential effect if actual results differ from assumptions.	✓
Note 7 – Officer remuneration	Employee count was inconsistent with your supporting records within a couple of bandings	✓
Note 10 Expenditure and Income analysed by nature	Grant income of £544,670 was misclassified to Fees, charges and other income within Note 10.	✓
Note 24 - PPE	An asset with a value of £140k with a useful life of 41 years was misclassified as Vehicles, Plant, and Equipment rather than infrastructure asset. Management propose amending in 2025/26. We made a recommendation to improve your disclosure	X
Note 24 - PPE Right of use assets	Movements in Right-of-Use assets was disclosed on a consolidated basis rather than separately by asset class.	✓
Note 24 – PPE and Right of use assets	Three leases, currently classified under Land and buildings, Community and Infrastructure Assets, should be recognised as Right-of-Use assets totalling £134k. We made a recommendation to improve your disclosure	X

D. Audit adjustments – misclassification and disclosure

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	Misclassification or change identified	Adjusted?
Note 34 Short Term Creditors	Capital Grant Received in Advance (CGRIA) of £5.2m presented within Note 34 – Short-Term Creditors should also be disclosed separately on the face of the Balance Sheet per Code requirements.	✓
Note 43 - Leases	Total operating lease income was not disclosed in the notes per Code requirements	✓
Revenue from contracts with service recipients	The Code requires disclosure of revenue from contracts and related contract balances in a separate note, however, your contract for garden waste revenue with revenue of £1.1m and contract balances of £427k has not been disclosed separately. We made a recommendation to improve your disclosure	X
General – minor disclosure Issues	Other minor disclosure amendments have been made to the financial statements. None of these amendments are individually or in aggregate significant enough to warrant separate disclosure.	✓

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E. Management letter of representation

Grant Thornton UK LLP
8 Finsbury Circus,
London, EC2M 7EA

Dear Grant Thornton UK LLP

Swale Borough Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Swale Borough Council (“the Authority”) for the for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited for the preparation of the Authority’s financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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 Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority 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.

E. Management letter of representation (continued)

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include Investment properties valuation, property, plant and equipment valuation, pension liability valuation, and heritage assets valuation. 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 International Accounting Standard 19 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 Authority has been assigned, pledged or mortgaged; and

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

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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 Authority'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 Authority 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. Equal Pay - we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay.

E. Management letter of representation (continued)

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

xv. There are no prior period errors to bring to your attention.

xvi. We have updated our going concern assessment. We continue to believe that the Authority'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 Authority 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 Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

  c. the Authority'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 Authority's ability to continue as a going concern need to be made in the financial statements

xv. The Authority has complied with all aspects of ring-fenced grants that could have a material effect on the Authority'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 Authority'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 Authority 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.

E. Management letter of representation (continued)

xx. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority 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 Authority'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 Authority'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 Authority's financial and operating performance over the period covered by the Authority's financial statements.

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 15 **October 2025.**

Yours faithfully

Signed on behalf of the Authority

F. Draft audit opinion

We anticipate to issue the Council with a modified audit report (SUBJECT TO AMENDMENT FOLLOWING INTERNAL PANEL)

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

Report on the audit of the financial statements

Qualified opinion

We have audited the financial statements of Swale Borough Council (the ‘Authority’) for the year ended 31 March 2025, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement; Collection Fund Income and Expenditure Statement and notes to the financial statements, including material accounting policy information. 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 2024/25.

In our opinion, except for the matter described in the basis for qualified opinion section of our report, the financial statements:

give a true and fair view of the financial position of the Authority as at 31 March 2025 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 2024/25; and

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

Basis for qualified opinion

During 2023/24, the Authority identified a prior period error of £2.085 million of Property, Plant and Equipment, which represented capital works completed on behalf of Kent County Council. This expenditure should have been treated as Revenue Expenditure Funded from Capital Under Statute (REFCUS) in accordance with section 4.6 of the CIPFA Code and expensed in the year in which the works were undertaken, instead of being accounted for as PPE. Management had chosen not to adjust the financial statements for the prior period error. Accordingly, the 2024/25 comparatives primary statements impacted are the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement and the Cash Flow Statement and several notes to the financial statements. In addition, were any adjustment to the associated amounts to be required, the narrative report comparatives would also need to be amended.

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 2024/25 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 2024) 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.

F. Draft audit opinion

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.

Other information

The other information comprises the information included in the Annual Financial Report, 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 2024/25, 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 Annual Financial Report 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.

F. Draft audit opinion

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 Annual Financial Report, 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 2024/25, 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.

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 2024/25, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Accounts and Audit (Amendment) Regulations 2024 and the Local Government Act 2003, Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992 and the Local Government Finance Act 2012) and Local Government Act 1972.
- We enquired of management and the Audit Committee, concerning the Authority's policies and procedures relating to:

a) the identification, evaluation and compliance with laws and regulations;

b) the detection and response to the risks of fraud; and

c) 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. We determined that the principal risks were in relation to unusual journal entries made during the year which met a range of criteria we set during the course of the audit, and the appropriateness of assumptions applied by management in determining significant accounting estimates, such as the valuation of property plant and equipment and the valuation of the net defined benefit pensions liability.
- Our audit procedures involved:

a) evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud;

b) journal entry testing, with a focus on those journals which impacted on the Authority's financial position for the year;

c) challenging assumptions and judgements made by management in its significant accounting estimates in respect of Land and Buildings along with the valuation of net defined pension liability; and

d) assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

F. Draft audit opinion

- 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, including the risk of management override of controls and risks around journals posted around the reporting date which impact on the Comprehensive Income and Expenditure Statement, and the significant accounting estimates related to the valuation of land and buildings and the valuation of the net defined benefit pensions liability. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.
- The engagement partner's assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

a) understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation

b) knowledge of the local government sector

c) understanding of the legal and regulatory requirements specific to the Authority including:

i. the provisions of the applicable legislation

ii. guidance issued by CIPFA/LASAAC and SOLACE

iii. the applicable statutory provisions.

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

a) 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.

b) 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 2025.

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.

F. Draft audit opinion

Auditor’s responsibilities for the review of the Authority’s arrangements for securing economy, efficiency and effectiveness in the Authority’s 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 have undertaken 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 have documented 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 have considered 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 2025 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 the Authority’s consolidation returns and we have received confirmation from the National Audit Office the audit of the Whole of Government Accounts is complete for the year ended 31 March 2025. We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2025.

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.

Making Swale a better place

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Grant Thornton UK LLP
8 Finsbury Circus,
London, EC2M 7EA

15 October 2025

Dear Grant Thornton UK LLP

Swale Borough Council
Financial Statements for the year ended 31 March 2025

This representation letter is provided in connection with the audit of the financial statements of Swale Borough Council ("the Authority") for the year ended 31 March 2025 for the purpose of expressing an opinion as to whether the Authority 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 2024-25 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, as set out in the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited for the preparation of the Authority's financial statements in accordance with the Accounts and Audit Regulations 2015, International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2024-25 ("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 Authority and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Authority 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 Investment properties valuation, property, plant and equipment valuation, pension liability valuation, and heritage assets valuation. 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 International Accounting Standard 19 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 Authority has been assigned, pledged or mortgaged; and

   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 Authority'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 Authority 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. Equal Pay - we have considered the impact of equal pay claims on our financial statements. We have no knowledge of any material events or circumstances that would require additional disclosures or adjustments to be made to our financial statements related to equal pay.

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

xv. There are no prior period errors to bring to your attention**.**

xvi. We have updated our going concern assessment. We continue to believe that the Authority'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 Authority 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 Authority to prepare its financial statements on the basis of the presumption set out under a) above; and

   c. the Authority'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 Authority's ability to continue as a going concern need to be made in the financial statements

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

Information Provided

xviii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the Authority'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 Authority from whom you determined it necessary to obtain audit evidence.

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

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

xxi. 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.

xxii. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Authority 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.

xxiii. 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.

xxiv. 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.

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

xxvi. 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

xxvii. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Authority'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

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

Approval

The approval of this letter of representation was minuted by the Authority's Audit Committee at its meeting on 15 October 2025.

Yours faithfully

Lisa Fillery Director of Resources Signed on behalf of the Council

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Annual Financial Report

**for the
year ended**

31 March 2025

Lisa Fillery CPFA
Director of Resources

Contents

Information Accompanying the Statement of Accounts

Statement of Accounts

Overview

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 156,000, 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. The Swale Council administration is now a Labour Party minority, following the dissolution of the previous coalition during the 2024/25 year. At the start of the 2024/25 financial year, the Leader of the Council was Councillor T Gibson, and Councillor Baldock was the Deputy Leader. Following the dissolution of the coalition Councillor Wise became the Deputy Leader of the Council, with Councillor T Gibson remaining as the Leader. The Council's services are organised into Directorates and Service areas.

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.

Overview


Sheerness
The Medway
Queenborough
Eastchurch
B2231
Leysdown-on-Sea
The Isle of Sheppey
The Swale
Newington
A2
A249
M2
Sittingbourne
Teynham
Faversham
A299
5
6
7
A251
Chelmsford
London
Southend-on-Sea
Rochester
Swale
Canterbury
Maidstone
Ashford
Dover
Tunbridge Wells

Narrative Report

Introduction

This narrative report provides a guide to the Council's accounts and financial position as of 31 March 2025. It includes:

- An explanation of the Annual Financial Report, and each of the main financial statements;
- A look back at financial performance in 2024/25;
- 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 2024/25 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 2025. It has been prepared in accordance with the Accounts and Audit Regulations 2015 (as amended) which require the accounts to be prepared and signed by the responsible officer by 30 June 2025.

The format meets the requirements of the Code of Practice on Local Authority Accounting in the United Kingdom 2024/25 (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 34 to 100. 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 34 – 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 36 – 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 37 – 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 38 – 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 40 – summarises the cash movements in and out of the Council’s bank accounts over the year.

Notes to the Core Financial Statements on pages 41 to 95 – 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 96 to 100 – 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 2024/25

This section gives an overview of the financial performance of the Council in 2024/25, including reasons for significant variances from planned expenditure.

The UK is still impacted by a cost of living crisis, with people feeling the impact of high levels of inflation. Volatility remains, with interest rates being carefully managed by the Bank of England. The high levels of inflation impact on the cost of council contracts, as well as seeing an increase in demand for certain council services, all of which impacts on the council's financial position.

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, 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 2024/25 the final outturn position was balanced, with the use of £416k from the budget contingency reserve. The budget for 2024/25 included the use of £733k from the budget contingency reserve, so the final position was an improvement of £317k. The major variances against budget were an overspend on Planning services, offset by savings on salaries and insurance, and additional 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 12 June 2025 which details how the Council spent its money against its budget and how this expenditure was financed.

There have remained difficulties recruiting to some vacancies during 2024/25. In some areas this has led to financial savings within the year whilst posts remained vacant, but in others it has led to financial overspends as the posts have been filled by the use of agency staff. The savings are not ongoing, as the posts are being filled, and where agency staff are being used the Council is continuing to attempt recruitment to ensure that services can be delivered within the financial resources available.

Revenue Expenditure and Income for 2024/25

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

		Budget 2024/25 £'000	Spend 2024/25 £'000	Over/ (Under) Spend 2024/25 £'000
Chief Executive		778	759	(19)
Communications		358	339	(18)
Elections, Democratic Services & Information Governance		1,143	1,119	(25)
Housing & Community		5,300	4,857	(442)
Planning		337	1,239	902
Environment & Leisure		9,219	9,416	197
Regeneration & Economic Development		(294)	(221)	73
Finance & Procurement		753	705	(48)
Revenues & Benefits	Shared Services	154	195	42
Environmental Health	Shared Services	614	617	3
Information Technology	Shared Services	1,339	1,348	9
Internal Audit	Shared Services	158	133	(26)
Human Resources	Shared Services	472	463	(8)
Legal	Shared Services	678	607	(71)
Drainage Board Levy		1,000	1,000	0
Corporate Overheads and Capital Financing		3,698	2,827	(871)
Cost of Services		**25,706**	**25,403**	**(303)**
Financed by:				
Budget Contingency Reserve		(1,588)	(1,271)	317
Revenue Support Grant		(338)	(338)	0
Funding Guarantee Grant		(1,276)	(1,276)	0
Services Grant		(30)	(30)	0
Business Rates		(11,736)	(11,736)	0
New Homes Bonus		(674)	(674)	0
Collection Fund Surplus		45	31	(14)
Council Tax		(10,109)	(10,109)	0
(Surplus) in Year		**0**	**0**	**0**

	Budget 2024/25 £'000	Actual 2024/25 £'000	Variance 2024/25 £'000
General Fund Balance 1 April 2024	(3,103)	(3,103)	0
Surplus in year	0	0	0
General Fund Balance 31 March 2025	**(3,103)**	**(3,103)**	**0**

The above table shows that the General Fund balance has remained at £3.103m for 2024/25. 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 2025 represents 12.2% of the Cost of Services for 2024/25 and is therefore deemed to be at an adequate level by the Head of Finance and Procurement.

In addition, the Council:

- collected £112m of Council Tax for Police, Fire, Kent County Council (KCC), Parish Councils and itself (£105m in 2023/24);
- collected £65m of Business Rates for the Government, Fire, KCC, and itself (£53m in 2023/24);
- paid out £28.5m on benefits and received £27.9m in grant (£31m paid, £30m received in 2023/24).

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

Activity	Variance (£000) ()=underspend +ve = overspend	Explanation of variance
Elections, Democratic Services & Information Governance	(25)	There was an overspend as a result of multiple local by-elections and their set up costs. The overspend was offset by Special Responsibility allowances and National Insurance on allowances being underspent and retirement created a vacancy for part of the year.
Housing and Community	(442)	The variance is made up of many factors. Implementation of the Housing Options improvement programme brought reduction in costs. The underspend is made up of an increase in grants received and a reduction on the spend of nightly let accommodation. There have also been some staff vacancies while the new structure has been introduced. Additional taxi licensing income and additional CCTV income from third party contracts increased the variance.
Planning	902	The overspend is due to the cost of the agency staff outstripping the savings from the vacancies, a number of appeals that happened throughout 2024/25, and court costs awarded against the council. The service continues to use agency staff to fill vacant posts, with ongoing recruitment plans to attract permanent staff. Planning fee income has significantly reduced as a result of fewer planning applications received than anticipated.
Environment and Leisure	197	The variance is largely due to increased costs of utility charges affecting mainly leisure services and car parks. Grounds maintenance contract costs also increased in 2024/25 and maintenance of car park surfaces created an overspend. These overspends are offset by underspend in salaries and a reduction in vehicle leases. Additional

		income from garden waste, parking vouchers and car park income decrease the overspend.
Regeneration & Economic Development	73	An overspend within the Asset Management team due to the use of external support as a result of recruitment difficulties, and additional costs incurred for demolition of the building at Fountain Street, work at Faversham Pool, and a water leak at Queenborough push this into an overspend position. These were partially offset from savings at Swale House operations for additional rental income and a temporary reduction in cleaning staff.
Finance & Procurement	(48)	This underspend is due to salary savings as a result of staff vacancies following a restructure, and maternity leave. This underspend is not expected to be a permanent position.
Revenues & Benefits	42	There is a overspend due to an increase in Housing Benefits claims for non-charity supported accommodation placements, which are not fully funded by subsidy, and a reduction in recovery of overpaid Housing Benefit, due to the ongoing transition of the case load moving to Universal Credit. Offset by underspend from additional Incentive Funding grants from KCC and additional income from increased recovery action.
Other Shared Services	(93)	There were a number of staff vacancies across the shared services that created savings within the year. Legal Services underspend is due to recharges to capital projects for 2024/25. The additional costs of agency staff required due to recruitment difficulties are shared across the shared service partners.
Corporate Items	(871)	Variance arising due to increased investments income as interest rates remained higher than originally forecast, savings on pensions costs and savings arising from the retender of the insurance contract. Ongoing savings have been reflected in the budget for 2025/26.

Capital Spending for 2024/25

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 2024/25 was £16.827 million. The outturn position of the capital programme is detailed in the table below, along with a breakdown of how it was funded.

	Budget		Spend		Slippage	Variance
	Gross	Net	Gross	Net		to Budget
	£'000	£'000	£'000	£'000	£'000	£'000
Levelling up - Sheerness Revival	19,416	0	3,900	0	0	0
Waste vehicle fleet	789	789	674	674	115	0
Disabled facilities grants	7,283	0	1,392	0	0	0
Local authority housing	13,263	12,544	0	0	12,544	0
Housing temporary accommodation	10,365	9,603	9,724	8,234	1,370	0
ICT replacement programme	182	0	123	0	0	0
Beach huts	143	143	0	0	143	0
UK Shared & Rural Prosperity grants	560	0	751	0	0	0
Other capital projects	1,055	560	263	24	539	3
Total	**53,056**	**23,639**	**16,827**	**8,932**	**14,711**	**3**
Sources of funding						
Capital grants and other contributions			7,765			
Earmarked reserves			130			
Borrowing			8,932			
Total capital funding			**16,827**			

The main capital expenditure items in 2024/25 were disabled facilities grants, the Levelling Up Sheerness Revival project and the purchase of housing for temporary accommodation.

There is a small overspend of £3k within the capital programme, and unspent budget in the year of £14.711m will therefore be slipped into 2025/26. The reason for the slippage is mainly due to delay to the affordable homes scheme. There is slippage to the Levelling Up project in line with the revised programme timetable, although this spend is funded by government grants.

How the Council Manages its Surplus Funds

The Council's total investment averaged £21 million during 2024/25 (£23 million for 2023/24) and closed at £11 million at 31 March 2025 (see Note 42, Table 4) (£15 million at 31 March 2024). The Council achieved a return of 4.20% for 2024/25, amounting to £1,133,000 (£1,171,000 in 2023/24).

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 2025, the Council had four loans, totalling £13million, each ranging in value from £2 million to £5 million, from local authorities and the PWLB, at an average interest rate of 5.41%.

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 94. At the year-end, this account had a surplus balance of £0.1 million (deficit balance of £0.3m at 31 March 2024).

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 £11 million at 31 March 2024 to £8 million at 31 March 2025 after the impact of the asset ceiling. 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
2022/23	13,924	8,460
2023/24	10,749	8,460
2024/25	7,728	8,460

The 3 year review pension deficit is set by a triennial review, the last of which was carried out as at 31 March 2022. A funding update report in March 2024 estimated that the deficit at that point in time was £20.2m. The next review will be as at 31 March 2025, and the report for that will be produced in the autumn of 2025.

The IAS 19 deficit became a surplus during 2024/25 due to an increase in discount rates. As asset ceiling calculation was therefore prepared by the fund actuaries, and once applied a deficit of £7.728m was returned.

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 2024/25

International Financial Reporting Standard (IFRS) 16 has been adopted for 2024/25, and accounting policies updated accordingly.

Future Accounting Policies

Changes are expected in the 2025/26 Code regarding the measurement of non-investment assets, introducing a requirement for indexation to be applied to assets that are not revalued within the year. This update will require a change to accounting policies for future years.

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 2026 onwards. A spending review is expected in the summer of 2025 which is expected to impact the Local Government Settlement. A multi-year draft settlement is then expected later in the year, with the multi-year nature providing some level of certainty in the medium term.

Fundamental changes planned to the funding basis of councils have not yet been delivered, although consultation has started on the long awaited reset of business rates. Transitional arrangements are expected, but as yet the details of this are unknown.

As well as business rates reset, there are changes to the funding of waste collection and disposal services. Although the first grants for waste collection and disposal are part of the 2025/26 settlement, there are still many unknowns, 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 agreed by Council on 19 February 2025 forecast a revenue budget gap of £677,000 in 2025/26, growing to a gap of £5.1 million in 2028/29 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 remain under review. At 31 March 2025 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, and as such there is no expectation of a request for Exceptional Financial Support or issuing of a Section 114 notice during the period of the Medium Term Financial Plan, subject to confirmation of the outcome of the business rates reset and subsequent transitional arrangements.

The Medium Term Financial Plan is detailed in the Council's report on setting the Budget and Council Tax for 2025/26 which was approved by Council meeting on 19 February 2025 which can be found on the Council's website here:
https://ws.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=4118

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 2025/26 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 purchase of properties has been happening over time, as properties have become available, so the spend has been profiled over several years, with 2025/26 being the third year, and the likely final year of this phase of purchases. The funding for this project is through a reallocation of temporary accommodation spend budgets to cover the capital financing costs.

- 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 multi-year capital project, with the budget profiled accordingly.

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 2025/26 which was approved by Council meeting on 19 February 2025 and can be found on the Council's website here:
https://ws.swale.gov.uk/meetings/ieListDocuments.aspx?CId=128&MId=4118

Conclusions

It has been another challenging year for the Council, but financial plans have been substantially delivered overall 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. Work is taking place within service areas to try to remove or minimise specific overspends.

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: 6 June 2025

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 'corporate' indicators on a regular basis. Full year performance for 2024/25 will be reported to Policy and Resources Committee on 12 June and will be published here:
https://ws.swale.gov.uk/meetings/ieListDocuments.aspx?CId=353&MId=4386

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.

An updated Workforce Strategy was adopted in 2024/25.

The monitoring of workforce information by SMT continues to focus on sickness absence, as well as staff turnover and recruitment. Sickness absence for 2024/25 averaged 7.66 days per employee (2023/24 5.88 days per employee). Although this is higher than last year, it is still 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 2024/25 there were 32 reported incidents which amounted to breaches of the Data Protection Act and four near misses. Each case is investigated fully before the Council's Data Protection Officer decides on the appropriate response. In 2024/25 no incidents 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 23 April 2025 and can be found here:
https://services.swale.gov.uk/meetings/documents/s30022/Risk Management Annual Report - Cover Report.pdf.

Reviewing the Council's Performance

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 (as amended) 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 (as amended).

1.6 The May 2023 elections resulted in control of the Council being held by a three party coalition comprising the Labour, Swale Independent Alliance and Green groups. Councillor Tim Gibson took the role of Leader with Councillor Mike Baldock as the Deputy Leader. The coalition was disbanded during 2024/25, leaving the Council with a Labour minority administration. Councillor Tim Gibson remains the Leader, and Councillor Ashley Wise has taken the role of Deputy Leader. The administration has a very well defined programme which they are implementing.

1.7 Due to the administration being in a minority position, the groups are working more collaboratively, with group leaders working together to agree the budget for 2025/26.

2. Impact of external factors on the Council

2.1 The impact of inflation, high interest rates and high energy prices continues to impact the Council and its residents. The UK economy is also impacted by uncertainty created by the change of President in the USA, and ongoing wars and political tensions around the world.

2.2 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.

2.3 Council committee meetings continue to operate with the ability for officers and members to join remotely, albeit without voting rights of in person attendance.

2.4 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.

2.5 The council is continuing to manage the cost of living crisis and 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 2025, 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:

4.3 Area Committee meetings continued in 2024/25. These are intended to have a local focus and to more widely engage councillors and the community, with four committees meeting quarterly. Members have requested that the Chief Executive undertakes a full review of the effectiveness of Area committee meetings in 2025/26.

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 six monthly reporting to 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. During 2024/25 there were five service committees, each with its own chair and supported by a vice chair. Following the recommendation from the LGA Peer Review, at their meeting in April 2025, Full Council agreed to take a two stage approach to reduce the number of service committees from Policy and Resources plus 4 committees to Policy & Resources plus 3 service committees for the municipal year 2025/26 and Policy & Resources plus 2 service committees in 2026/27.

4.6 The position for 2025/26 will be to amalgamate the functions of Health and Housing Committee and the Community and Leisure Committee.

4.7 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.

4.8 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, the Member/Officer protocol was adopted at Full Council on 3 April 2024.

4.9 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 during 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.

4.10 During 2024/25, senior officers and administration members attended facilitated sessions to address the relationship and lack of trust issues. Unfortunately the sessions did not deliver the intended outcomes and following the change in the coalition and administration position alternative solutions are being explored.

4.11 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.

4.12 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.

4.13 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.

4.14 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. The role of Monitoring Officer is currently held by Robin Harris, and 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.

4.15 The Director of Resources, as the Section 151 Officer appointed under the 1972 Local Government Act (as amended), 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).

4.16 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, held by Katherine Woodward, 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 (as 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).

4.17 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.

4.18 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

4.19 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.

4.20 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.

4.21 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 continue to embed the protocol and the code in the way Members and Officers undertake their duties.

4.22 During 2024/25 work continued to develop a joint set of values for members and officers. Lead by the Learning and Development manager, sessions have been held with staff to identify areas that are important to them with sessions scheduled for members to do the same. The outcomes from both sessions will inform the joint values to be adopted.

4.23 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 which exists to receive and respond to any complaints received.

4.24 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

4.25 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.

4.26 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.

4.27 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

4.28 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.

4.29 The Leadership Development Programme that commenced in September 2022 continues to support the senior officer leadership team. The programme is scheduled for the next couple of years to focus on internal factors including strategy development and implementation, workforce leadership, member dynamics and external factors such as place changes, local government reorganisation, place making and system working.

4.30 The programme includes group work and facilitated sessions, 1 to 1 and group coaching.

4.31 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. Over the past two years there have been 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. This work to transform the Planning Team is still ongoing, as recruitment within the service is difficult, but progress is being made.

4.32 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 have adopted the national template, to help amplify the identity of Local Government within the recruitment sphere. The council has attempted alternative recruitment methods across several areas that have been hard to recruit, including within the Legal Team to address high level of vacancies and subsequent reliance on agency and locum staff.

4.33 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

4.34 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.

4.35 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.

4.36 The Council also engages with the voluntary, community and business sectors, working closely with Swale CVS and communicating through appropriate networks. Since 2023 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.

4.37 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

4.38 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.

4.39 From a financial perspective the 2024/25 outturn is a reduction in the planned use of reserves of £333,000 (the original budget requirement was £733k). 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 2024/25 budget have in the main been delivered. Spend on homelessness has reduced, due to the hard work of the team in reducing the number of homelessness placements during the year. The council has also purchased a number of properties that are starting to be used for temporary accommodation, reducing the use of expensive nightly let options. However, the high cost of nightly let accommodation has meant that costs have not necessarily reduced in line with the reduction in placements. Other reported overspends in services are not resulting from savings proposals that have not been achieved.

4.40 Work on the new Local Plan has progressed, with an updated Local Development Scheme showing Regulation 18 draft Plan consultation in quarter 4 of 2025 and Regulation 19 pre-submission Plan consultation in quarter 2 of 2026 approved by Full Council in December 2024.

4.41 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 – In response to the recommendation from the LGA peer review the number of committee meetings held in 2024/25 was reduced. As reported above a further review has led to a change in the number of committees for 2025/26 and 2026/27. 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) Asset Management – disposal and transfer of assets as agreed within the disposal and asset transfer policies, progress on leases at Bourne place and Barton's Point and delivery of several planned maintenance projects across the asset portfolio.

(viii) Delivery of the £1.2m UK Shared Prosperity Fund programme.

(ix) Sheerness Revival LUF project delivery in progress.

(x) Introduction of overnight parking at Shingle Bank in Sheppey. Project has been agreed with implementation planned for the summer of 2025.

(xi) A member working group has been established to support the work on the tender specification for a new leisure contract ahead of the tender publication in July 2025.

4.42 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 few months of the contract saw some bedding in issues that were to be expected in a change in contract of this scale and complexity. However, these issues took longer to resolve than expected, and business continuity plans were exercised due to the impact of this on other services, with Customer Services seeing a prolonged increase in call numbers.

4.43 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.

4.44 Regular meetings were held with senior administration members and wider group leaders to keep members updated on the progress of the introduction of the new contract.

4.45 Further changes were subsequently made to the service in order to deliver the service within specification and budget, and these changes reduced the number of reported issues, and eventually led to the service being delivered as expected.

4.46 The 2025/26 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. The allocation of additional grant funding for the Extended producer responsibility helped reduce the budget gap and the level of reserves required to deliver a balanced budget position.

4.47 The change in the coalition administration ahead of the final approval of the budget led to a cross party working group proposing several amendments to the budget for Full Council. These were agreed on the night and a balanced position agreed with the use of reserves.

4.48 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 2026/27 as agreed by the administration during the last budget round.

CIPFA Financial Management Code

4.49 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”.

4.50 For the 2024/25 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.

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 and latest reported update was made at Policy and Resources committee in March 2025.

5.5 The Peer Review highlighted 10 key recommendations for the council which resulted in an action plan. Most of the key recommendations have been completed or are implemented as business as usual. Those that remain outstanding are subject to a revised timetable or require additional funding that has delayed the delivery timescale.

5.6 Full details of the action plan can be found here https://swale.gov.uk/__data/assets/pdf_file/0003/454044/LGA-Peer-Challenge-action-plan-Oct-2023-final.pdf

5.7 In the 2023/24 Annual Governance Statement five 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 2025/26 balanced budget included savings proposals of £1.3m plus a further £677k 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.
Embed the code of conduct and 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 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 meant delays occurred at the start of the project, and there have been some further delays since. However, the project team have secured permission from government to extend funded elements to March 2026, with Swale funded elements completing by June 2026.
Planning and implementation of the new waste contract from March 2024.	The new waste contract began in March 2024. There was a significant period of instability in service delivery as new ways of working and new routes were embedded. This was very resource intensive, with business continuity plans exercised. Further changes have been made to routes, and performance returned to business as usual levels during the year.
Continue to participate in the LGA special interest group on Internal Drainage Board Levy funding to address the pressure on local authorities.	Swale was 1 of 2 of the councils that did not receive further grant funding to support the increasing costs of the internal drainage board levy. Despite lobbying of our MPs and the Minister the position did not change for 2024/25. The council continues to be a member of the group aiming to deliver a permanent solution to the funding issue around drainage levy payments.

6. Significant Governance Issues

6.1 There were no significant governance weaknesses in 2024/25.

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) Continue to participate in the LGA special Interest group on Internal Drainage Board Levy funding to address the pressure on local authorities.

(v) Local Government Reform - working with partners across Kent to deliver local government reform in line with timescales set by government, ensuring the best that we can for our area.

7. Conclusion and Opinion

7.1 Taking account of the controls and actions listed above we are confident that we have satisfactory governance arrangements in place and the financial management arrangements conform to the governance requirements of the CIPFA framework for Delivering Good Governance and the statement on the Role of the Chief Financial Officer in Local Government.

7.2 The audit committee are advised on the effectiveness of the governance framework, and receive regular reports from the Head of Internal Audit. The actions listed in the strategic risk register are aimed at addressing risks and ensuring continuous improvement of the governance systems in place.

7.3 We continue to monitor these actions to further enhance our governance arrangements. We are satisfied that these address the improvements identified in our review of the effectiveness and will monitor their implementation and operation as part of our next annual review.

Agreed:

Cllr Tim Gibson	Larissa Reed
Leader	**Chief Executive**

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.

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 2024/25 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 2025.

Lisa Fillery CPFA **Date: 6 June 2025**

Director of Resources

Certification of the Chairman of the Audit Committee

I confirm that the adoption process for the 2024/25 Statement of Accounts has been formally completed and that the Statement of Accounts for the year ended 31 March 2025 was approved by Swale Borough Council in accordance with the Accounts and Audit Regulations (England) 2015 at the meeting of the Audit Committee.

Chair of the Audit Committee **Date:**

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

2023/24						2024/25				
Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES		Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
673	0	(10)	3	666	Chief Executive	759	0	(8)	(1)	750
312	0	(5)	92	399	Communications	339	0	(4)	58	394
1,077	3	(8)	73	1,145	Elections, Democratic Services and Information Governance	1,119	11	(6)	(70)	1,054
5,180	39	(53)	106	5,272	Housing & Community Services	4,857	2,482	(42)	19	7,316
1,087	0	(21)	30	1,096	Planning	1,239	0	(17)	629	1,851
7,655	968	(27)	121	8,717	Environment & Leisure	9,416	3,188	(21)	(668)	11,915
(302)	(393)	(13)	2,394	1,686	Regeneration & Economic Development	(221)	72	(10)	1,443	1,284
769	7	(10)	788	1,554	Finance & Procurement	705	15	(2)	458	1,175
337	0	(18)	(127)	192	Revenues & Benefits	195	0	(1)	256	451
572	9	0	23	604	Environmental Health	617	9	0	6	632
1,277	0	0	(255)	1,022	Information Technology	1,348	0	0	(431)	917
128	0	0	0	128	Internal Audit	133	0	0	0	133
406	0	(1)	22	427	Human Resources	463	0	(0)	(25)	437
618	0	(17)	(184)	417	Legal	607	0	(13)	(76)	518
3,340	15	(21)	(3,457)	(123)	Corporate Items	3,827	0	0	(3,914)	(86)
23,129	**648**	**(204)**	**(371)**	**23,202**	**Cost of Services**	**25,403**	**5,778**	**(124)**	**(2,318)**	**28,740**
(23,129)					Financed by Council Tax, Business Rates & Grants	(25,403)				
0					**(Surplus) in Year**	**0**				
					General Fund Balance:					
(3,103)					As at 1 April	(3,103)				
0					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 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.

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

2023/24						2024/25				
Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES		Net exp charged to the General Fund	Adjustments for: Capital	Pensions	Other	Net exp in the CIES
£'000	£'000	£'000	£'000	£'000		£'000	£'000	£'000	£'000	£'000
23,129	648	(204)	(371)	23,202	Cost of Services	25,403	5,778	(124)	(2,317)	28,740
(29,332)	562	344	2,430	(25,996)	Other (Income) & Expenditure	(30,500)	(1,213)	462	1,109	(30,142)
(6,203)	**1,210**	**140**	**2,059**	**(2,794)**	**(Surplus)/Deficit on the Provision of Services**	**(5,097)**	**4,565**	**338**	**(1,208)**	**(1,402)**
6,203	(1,210)	(140)	(2,059)	2,794	Adjustments from Accounting Basis	5,097	(4,565)	(338)	1,208	1,402
0	**0**	**0**	**0**	**0**	**(Surplus) in Year**	**0**	**0**	**0**	**0**	**0**

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

2023/24 Gross Exp £'000	2023/24 Gross Income £'000	2023/24 Net Exp £'000		Note	2024/25 Gross Exp £'000	2024/25 Gross Income £'000	2024/25 Net Exp £'000
666	0	666	Chief Executive		751	(1)	750
403	(4)	399	Communications		397	(3)	394
1,326	(181)	1,145	Elections, Democratic Service and Information Governance		1,105	(52)	1,054
12,696	(7,424)	5,272	Housing & Community Services		15,222	(7,905)	7,316
3,139	(2,043)	1,096	Planning		4,250	(2,399)	1,851
15,438	(6,721)	8,717	Environment & Leisure		18,930	(7,015)	11,915
2,567	(881)	1,686	Regeneration & Economic Development		4,766	(3,482)	1,284
1,286	268	1,554	Finance & Procurement		1,352	(178)	1,175
33,306	(33,114)	192	Revenues & Benefits		30,477	(30,027)	451
727	(123)	604	Environmental Health		685	(53)	632
1,030	(8)	1,022	Information Technology		968	(51)	917
128	0	128	Internal Audit		133	0	133
433	(6)	427	Human Resources		440	(2)	437
1,918	(1,501)	417	Legal		2,121	(1,603)	518
0	(123)	(123)	Corporate Items		0	(86)	(86)
75,063	**(51,861)**	**23,202**	**Sub Total Cost of Services**		**81,597**	**(52,858)**	**28,740**
			Other Operating Expenditure				
952	(41)	911	Drainage Board levy		1,000	0	1,000
1,730	0	1,730	Parish and Town Council precepts		1,955	0	1,955
1,896	0	1,896	(Gain)/loss on disposal of assets	14	0	(236)	(236)
1,711	(4,405)	(2,694)	**Financing & Investment**	11	1,588	(3,218)	(1,630)
			Taxation and Non-Specific Grant Income and Expenditure				
0	(11,368)	(11,368)	Council Tax		0	(11,998)	(11,998)
0	(23,786)	(23,786)	Business Rates income		0	(24,954)	(24,954)
0	(8,704)	(8,704)	S31 Business Rate Relief Grants		0	(9,569)	(9,569)
18,520	0	18,520	Tariff & levy Business Rates		19,734	0	19,734
3,051	(1,767)	1,284	Business Rates Kent Pool		3,701	(2,164)	1,536
0	(317)	(317)	Revenue Support Grant		0	(338)	(338)
0	(1,102)	(1,102)	New Homes Bonus		0	(674)	(674)
0	(2,366)	(2,366)	Other grants and contributions		0	(4,967)	(4,967)
102,923	**(105,717)**	**(2,794)**	**(Surplus)/Deficit on Provision of Services**		**109,575**	**(110,977)**	**(1,402)**
		(1,178)	Net surplus on revaluation of non-current assets	18			(1,553)
		(2,265)	Re-measurement of net defined pension liability	9			(2,302)
		34	Receipts from long-term debtors	19			160
		(6,203)	**Total Comprehensive (Income) and Expenditure**				**(5,097)**

This shows the cost of providing services on an accounting basis resulting in net income of £5.097 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.

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
2024/25								
Opening Balance	(3,103)	(16,869)	**(19,971)**	(392)	(1,764)	**(22,127)**	**(41,951)**	**(64,079)**
Total Comprehensive Expenditure & (Income) 2024/25	(1,402)	0	**(1,402)**	0	0	**(1,402)**	**(3,696)**	**(5,097)**
Adjustments between accounting basis and funding basis (note 46)	1,060	0	**1,060**	(256)	(278)	**526**	**(526)**	**0**
Transfers (to)/from earmarked reserves (note 17)	341	(341)	**0**	0	0	**0**	**0**	**0**
(Increase)/decrease in year	**(0)**	**(341)**	**(341)**	**(256)**	**(278)**	**(875)**	**(4,222)**	**(5,097)**
Balance at 31 March 2025	**(3,103)**	**(17,210)**	**(20,313)**	**(648)**	**(2,043)**	**(23,003)**	**(46,173)**	**(69,176)**
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**	
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)**

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 £0.875 million resulting in a balance of £23.003 million.

Balance Sheet – The Council's Resources

31 March 2024			Note	31 March 2025	
£'000	£'000			£'000	£'000
	97,041	**Total Property, Plant and Equipment**	24		106,073
100		Assets Held for Sale	29	100	
2,329		Heritage Assets	27	2,329	
3,896		Investment Properties	28	3,984	
26		Intangible Assets		70	
0		Right of Use Assets	24	2,419	
2,752		Long-Term Investments	42	2,805	
1,942		Long-Term Debtors	39	1,849	
	11,045				**13,555**
	108,086	**Total Long-Term Assets**			**119,628**
		Current Assets			
26,304		Short-Term Debtors	40	16,458	
12,333		Cash and Cash Equivalents	41	8,184	
	38,637	**Total Current Assets**			**24,642**
	146,723	**Total Assets**			**144,270**
		Current Liabilities			
(33,418)		Short-Term Creditors	34	(14,673)	
(1,750)		Cash and Cash Equivalents	41	0	
(5,000)		Short-Term Loans	42	(13,000)	
0		Short-Term Lease Liability	43	(31)	
(45)		S106 Deferred Revenue Receipts	35	(101)	
(1,254)		Revenue Grant Receipts in Advance	12	(492)	
(2,838)		Capital Grant Receipts in Advance	34	(5,230)	
(992)		Provisions	37	(847)	
	(45,297)	**Total Current Liabilities**			**(34,374)**
	101,426	**Total Assets less Current Liabilities**			**109,895**
		Long-Term Liabilities			
(60)		Long-Term Creditors	33	(60)	
(5,000)		Long-Term Loans	42	0	
0		Long-Term Lease Liability	43	(3,138)	
(10,749)		Liability Related to Defined Benefit Pension Scheme	9(f)	(7,728)	
(20,147)		Capital Grants and Contributions	36	(28,191)	
(46)		S106 Deferred Revenue Receipts	35	(1)	
(1,344)		Provisions	37	(1,601)	
	(37,347)	**Total Long-Term Liabilities**			**(40,719)**
	64,079	**Net Assets**			**69,176**
		Financing:			
		Unusable Reserves			
(32,695)		Revaluation Reserve	18	(33,811)	
(6)		Deferred Capital Receipts Reserve		(6)	
(20,492)		Capital Adjustment Account	19	(20,258)	
18		Collection Fund Adjustment Account	20	(242)	
227		Accumulated Absences Account	22	220	
10,749		Pensions Reserve	23	7,728	
248		Pooled Fund Adjustment Account	21	195	
	(41,951)	**Total Unusable Reserves**			**(46,173)**
	(22,127)	**Total Usable Reserves**	MIRS		**(23,003)**
	(64,079)	**Total Reserves**			**(69,176)**

Balance Sheet – The Council's Resources

The Balance Sheet at 31 March 2024 has been restated to separate capital grant receipts in advance from the short-term creditors.

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 2024/25 which was mainly due to revaluation increases in property, plant and equipment. There was a net decline in short term assets and liabilities, but this was due to balance between long term and short term loans, with a movement back to short term loans at the end of the year. This therefore created a reduction in long term liabilities, although there were increases here due to the introduction of lease liabilities under IFRS 16 as well as an increase in the capital grants and contributions being held.

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 £8.184m 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: 6 June 2025**

Director of Resources

2023/24 £'000		Note	2024/25 £'000
2,794	Net surplus/(deficit) on the provision of services		1,402
	Adjustments to net surplus or deficit on the provision of services for non-cash movements		
1,553	Depreciation		2,397
(886)	Revaluation gains/impairments & downward valuations		3,285
111	Adjustments for movements in fair value of investments classified as Fair Value through Profit & Loss a/c		(53)
16	Movement in debt impairment		88
11,169	Movement in creditors		(10,881)
(5,334)	Movement in debtors		10,910
(910)	Movement in pension liability		(719)
(2,524)	Movement in provisions		112
2,155	Carrying amount of assets held for sale, sold or derecognised		14
235	Investment property valuation movements & upward revaluations		(88)
15	Other movements		15
5,600			**5,080**
(4,075)	Adjustment for items that are investing or financing activities		(8,289)
4,319	**Net cash inflow/(outflow) from Operating Activities**		**(1,807)**
	Investing Activities		
(2,431)	Purchase of property, plant & equipment, investment property & intangible assets		(18,793)
(59,505)	Purchase of short-term investments		(42,605)
(554)	Other payments for investing activities		(949)
131	Proceeds from the sale of property, plant & equipment, investment property & intangible assets		246
59,505	Proceeds from short-term investments		42,605
9,237	Other receipts from investing activities		15,814
6,383	**Net cash inflow/(outflow) from Investing Activities**		**(3,682)**
	Financing Activities		
10,000	Movement on short and long-term borrowing		13,000
(5,286)	Council Tax and Business Rates adjustments		149
(10,000)	Repayment of short-term borrowing		(10,000)
0	Payments for the reduction of lease liability		(58)
(5,286)	**Net cash inflow/(outflow) from Financing Activities**		**3,091**
5,416	**Net increase/(decrease) in Cash and Cash Equivalents**		**(2,398)**
5,166	Cash and cash equivalents at 1 April	41	10,582
10,582	Cash and cash equivalents at 31 March	41	8,184
5,416			**(2,398)**

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 cash flow for operating activities includes £1,050,000 for interest received (£1,175,000 in 2023/24) and £693,000 for interest paid (£240,000 in 2023/24).

Accounting Policies

1. Accounting Policies – General Principles

The Statement of Accounts summarises the Council's transactions for the 2024/25 financial year and its position at the year-end of 31 March 2025. The Council is required to prepare an annual Statement of Accounts by the Accounts and Audit Regulations 2015 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 more 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 in accordance with the performance obligations in the contract;
- supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption, they are carried as inventories on the Balance Sheet;
- expenses in relation to services received, including 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 transactions debited or 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

Benefits payable during employment

Short-term employee benefits are those due to be settled wholly within 12 months of the year-end. They include such benefits as wages and salaries, paid annual leave and paid sick leave for current employees and are recognised as an expense for services in the year in which employees render service to the Council. Where material, an accrual is made for the cost of holiday entitlements earned by employees but not taken before the year-end that employees can carry forward into the next financial year. The accrual is charged to surplus or deficit on the provision of services, but then reversed out through the Movement in Reserves Statement to the accumulated absences account so that holiday entitlements are charged to revenue in the financial year in which the holiday absence occurs.

Termination benefits

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 corporate services 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.

Post-Employment Benefits

The Local Government Pension scheme is accounted for as a defined benefits scheme. 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 5.80%. 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.

Where the value of the assets is greater than the value of the liabilities, creating a surplus, an asset ceiling calculation is carried out, ensuring compliance with IFRIC 14 regulations. The asset ceiling is the present value of any economic benefit available to the employer in the form of refunds or reduced future employer contributions.

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.

(d) 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.

(e) 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 2025.
- 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.

(f) 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.

(g) 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.

(h) Intangible Assets

These are non-current assets that do not have physical substance but are identifiable and are controlled through custody or legal rights (eg software licences) and it is expected that future economic benefits or service potential will flow from the asset to the Council. 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 15 years. Amortisation is charged to the relevant service line in the Comprehensive Income and Expenditure Statement.

(i) 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.

(j) Leases

The Council as Lessee

The Council classifies contracts as leases based on their substance. Contracts and parts of contracts, including those described as contracts for services, are analysed to determine whether they convey the right to control the use of an identified asset, through rights both to obtain substantially all the economic benefits or service potential from that asset and to direct its use. The Code expands the scope of IFRS 16 to include arrangements with nil consideration, peppercorn or nominal payments.

Leases are recognised as right of use assets with a corresponding liability at the date from which the leased asset is available for use (or the IFRS 16 transition date, if later). The leases are typically for fixed periods in excess of one year, but may have extension options.

The Council initially recognises lease liabilities measured at the present value of lease payments, discounting by applying the Council’s incremental borrowing rate wherever the interest rate implicit in the lease cannot be determined. Lease payments included in the measurement of the lease liability include:

- Fixed payments, including in-substance fixed payments
- Variable lease payments that depend on an index or rate, initially measured using the prevailing index or rate as at the adoption date
- Amounts expected to be payable under a residual value guarantee
- The exercise price under a purchase option that the Council is reasonably certain to exercise
- Lease payments in an optional renewal period if the Council is reasonably certain to exercise an extension option
- Penalties for early termination of a lease, unless the Council is reasonably certain not to terminate early.

The right of use asset is measured at the amount of the lease liability, adjusted for any prepayments made, plus any direct costs incurred to dismantle and remove the underlying asset or restore the underlying asset on the site on which it is located, less any lease incentives received. However, for peppercorn, nominal payments or nil consideration leases, the asset is measured at fair value.

The right of use asset is subsequently measured using the fair value model. The Council considers the cost model to be a reasonable proxy except for:

- Assets held under non-commercial leases
- Leases where rent reviews do not necessarily reflect market conditions
- Leases with terms of more than five years that do not have any provision for rent reviews
- Leases where rent reviews will be at periods of more than five years.

For these leases, the asset is carried at a revalued amount.

The right of use asset is depreciated straight-line over the shorter period of remaining lease term and useful life of the underlying asset as at the date of adoption.

The lease liability is subsequently measured at amortised cost, using the effective interest method. The liability is remeasured when:

- There is a change in future lease payments arising from a change in index or rate
- There is a change in the estimate of the amount expected to be payable under a residual value guarantee
- The Council changes its assessment of whether it will exercise a purchase, extension or termination option, or
- There is a revised in-substance fixed lease payment.

When such a remeasurement occurs, a corresponding adjustment is made to the carrying amount of the right of use asset, with any further adjustment required from remeasurement being recorded in the income statement.

As permitted by the Code, the Council excludes leases for low value items that cost less than £10,000 when new, provided they are not highly dependent on or integrated with other items, and with a term shorter than 12 months. The exception to the low value limit would be vehicles, which will always be accounted for as a lease unless the lease is shorter than 12 months.

Expenditure in the Comprehensive Income and Expenditure Statement includes interest, depreciation, any asset impairments and changes in variable lease payments not included in the measurement of the liability during the period in which the triggering event occurred.

Lease payments are debited against the liability. Rentals for leases of low-value items or shorter than 12 months are expensed. Depreciation and impairments are not charges against council tax, so these amounts are transferred to the capital adjustment account through the Movement in Reserves Statement.

The Council as Lessor

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

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.

(k) 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.

(l) 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.

(m) 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, provided that it is probable that the future economic benefits or service potential associated with the item will flow to the Council and the cost of the item can be measured reliably. Expenditure that maintains but does not add to an asset's potential to deliver future economic benefits or service potential (i.e. repairs and maintenance) is charged as an expense when it is incurred.

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 60 years
IT equipment	3 to 15 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 being transferred each year from the Revaluation Reserve to the Capital Adjustment Account.

Disposals – when an asset is disposed of or decommissioned, 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). Any 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 is 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 is 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 2024/25 is £2.1 million (2023/24 £1.9m).

(n) Charges to Revenue for Non-Current Assets

Service revenue accounts and trading accounts are charged an accounting estimate of the cost of holding non-current assets during the year. This comprises:

- 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.

The Council is not required to raise Council Tax to cover depreciation, revaluation and 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.

These charges are therefore replaced by the contribution in the General Fund (MRP) by way of an adjusting transaction with the capital adjustment account in the Movement in Reserves Statement for the difference between the two.

(o) 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 Council 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 Council. 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 Council 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 Council.

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.

(p) Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by transferring amounts out of the General Fund balance. When expenditure to be financed from a reserve is incurred, it is charged to the service revenue account within the Comprehensive Income & Expenditure Statement. The reserve is then transferred back into the General Fund balance so that there is no net charge against council tax for the expenditure.

Certain reserves are kept to manage the accounting processes for non-current assets, financial instruments, local taxation, retirement and employee benefits and do not represent usable reserves for the Council.

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

Expenditure incurred during the year 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 to the capital adjustment account.

(r) 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 was completed in April 2024.

(s) 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.

(t) 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. Where the recharge of overheads and support services is not required for the calculation of total costs, the costs are reported against the support service that incurs those costs.

(u) Council Tax and Non-Domestic Rates

The Council is a billing authority and, as such, is required to bill local residents and businesses for council tax and non-domestic (business) rates (NDR). 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. 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 Council's share of amounts due 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.

The Balance Sheet includes the Council's share of the end of year balances in respect of council tax and NDR relating to arrears, impairment allowances for doubtful debts, overpayments, prepayments and appeals. Amounts owing for major precepting authorities are shown as net debtors or creditors on the balance sheet.

Where debtor balances for the above are identified as impaired because of a likelihood arising from a past event that payments due under the statutory arrangements will not be made, the asset is written down and a charge made to the taxation and non-specific grant income and expenditure line in the CIES. The impairment loss is measured as the difference between the carrying amount and the revised future cash flows.

(v) 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 not material or 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:

- **IAS 21 The Effects of Changes in Foreign Exchange Rate (Lack of Exchangeability)** issued in August 2023. The amendments to IAS 21 clarify how to assess whether a currency is exchangeable and how to determine a spot exchange rate when exchangeability is lacking. The amendments also require the disclosure of information that enables users of financial statements to understand the impact of a currency not being exchangeable.

- **IFRS 17 Insurance Contracts** issued in May 2017. IFRS 17 replaces IFRS 4 and sets out principles for recognition, measurement, presentation and disclosure of insurance contracts.
- The changes to the measurement of non-investment assets within the 2025/26 Code include adaptations and interpretations of **IAS 16 Property Plant and Equipment** and **IAS 38 Intangible Assets**. These include setting out three revaluation processes for operational property, plant and equipment, requiring indexation for tangible non-investment assets and a requirement to value intangible assets using the historical cost approach.

The first two items are not expected to have a material effect on the Council's finances in 2025/26. Depending on the rate of indexation each year, the third item has the potential to have a material impact, but as large value assets are revalued each year, the impact would not be expected to be material in most years.

4. Accounting Estimates

In order to prepare the accounts, the Council makes accounting estimates for the value of items such as pensions, property, plant and equipment, and the impairment allowance for debtors. These are supported by professional advice, and take into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the estimates.

The items in the Council's balance sheet at 31 March 2025 for which there is a significant risk to material adjustment in the forthcoming financial year are as follows:

<table>
<tr><th>Item</th><th>Uncertainties</th><th>Effect if actual results differ from estimates</th></tr>
<tr><td rowspan="2">Pensions liability (£7.728m)</td><td colspan="2">The accounts are based on a roll forward approach in calculating the liabilities, rather than carry out a full valuation of member data. Any differences between estimates and actual experience will 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, and is in line with the current FRS102/IAS19 accounting standard.</td></tr>
<tr><td>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries is engaged to provide the Council with expert advice about the assumptions to be applied.</td><td>The effects on the net pension liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate would result in a decrease in the pension liability of £6m.

Changes to assumptions in 2024/25 have contributed to a decrease in the net liability of £3m.</td></tr>
<tr><td>Valuation of property, plant and</td><td>All valuations are carried out in accordance with the methodologies and bases for estimation set out in the</td><td>To reduce estimation uncertainty, the valuation date for investment and high value assets of the</td></tr>
</table>

equipment (PPE) (£114.974m)	professional standards of the Royal Institution of Chartered Surveyors. A firm of professional valuers is engaged to carry out this work, working closely with the finance team. The methodology used to value PPE is set out in note 25 to the accounts. When the fair value of investment properties, surplus assets, leased property assets and assets held for sale cannot be measured based on quoted prices in active markets (i.e. Level 1 inputs), their fair value is measured using the following valuation techniques: 1. For Level 2 inputs, quoted prices for similar assets or liabilities in active markets at the balance sheet date; 2.For Level 3 inputs, valuations based on most recent valuations adjusted to current valuation by the use of indexation and impairment review. Where possible, the inputs to these valuation techniques are based on observable data, but where this is not possible, judgement is required in establishing fair values. These judgements typically include considerations such as uncertainty and risk. Changes in assumptions used could affect the fair value of the Council's assets and liabilities. Where Level 1 inputs are not available, the valuers identify the most appropriate valuation techniques to determine fair value.	Council were as at 31 March 2025. 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. If the valuation of the overall PPE increased by 1% then impact to the council would be £1.1m.
Impairment allowance for non-payment of debt (£3.911m)	The Council has an impairment allowance of £3.911m for income relating to benefit overpayments, council tax, NNDR, and other general debtors. The provisions are based on previous history of collection rates based on aged debt analysis, debt recovery stage, and risk. However, future payment patterns could differ from historical trends.	The actual level of bad debts could be better or worse than the provision, leading to a need to increase or reduce it. Collection rates are monitored closely to allow early identification of changes to trends in payment patterns. If collection rates were to reduce by 1% an extra £39k would be required to be set aside as an allowance.

5. Events after the Reporting Period

The draft Statement of Accounts was authorised for issue by the Director of Resources on 6 June 2025. 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 2025, 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 6 June 2025.

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:

2023/24 Number of Employees	Remuneration Band	2024/25 Number of Employees
9	£50,000 - £54,999	8
3	£55,000 - £59,999	6
7	£60,000 - £64,999	5
2	£65,000 - £69,999	2
0	£70,000 - £74,999	1
2	£75,000 - £79,999	0
1	£80,000 - £84,999	1
2	£85,000 - £89,999	1
1	£90,000 - £94,999	3
0	£95,000 - £99,999	1
1	£105,000 - £109,999	0
1	£110,000 - £114,999	2
0	£125,000 - £129,999	0
1	£130,000 - £134,999	0
0	£140,000 - £144,999	1
30	**Total**	**31**

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.

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:

2023/24 Number of Compulsory Redundancies	2023/24 Number of Other Departures Agreed	2023/24 Total Cost of Exit Packages £	Band	2024/25 Number of Compulsory Redundancies	2024/25 Number of Other Departures Agreed	2024/25 Total Cost of Exit Packages £
8	0	14,168	£0 - £20,000	1	2	12,824
1	0	0	£20,001 - £40,000	0	0	0
1	0	44,117	£40,001 - £60,000	0	0	0
1	0	67,436	£60,001 - £80,000	0	0	0
11	**0**	**125,721**	**Total paid to employees**	**1**	**2**	**12,824**
		49,190	Total paid to KCC for contracted payments for pension scheme			0
		174,910	**Total**			**12,824**

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

Point	2023/24 Salary, Fees & Allowances £'000	2023/24 Pension Contribution £'000	2023/24 Total £'000		2024/25 Salary, Fees & Allowances £'000	2024/25 Pension Contribution £'000	2024/25 Total £'000
	144	27	171	Chief Executive	147	29	176
	107	22	129	Director of Resources	114	23	137
	111	23	134	Director of Regeneration & Neighbourhoods	113	23	136
1	6	1	7	Head of Policy, Governance & Customer Services	0	0	0
	89	18	107	Head of Legal Partnership	95	20	115
2	59	14	73	Deputy Head of Legal Partnership	77	17	94
	516	**105**	**621**	**Total**	**546**	**112**	**658**

Point 1: Post holder left in April 2023.

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

8. Members' Allowances

2023/24 £'000		2024/25 £'000
316	Basic allowance	315
68	Special responsibility allowance	70
2	Members' travel, subsistence & IT allowance	2
386	**Total**	**388**

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 2024/25 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:

2023/24 £'000	Comprehensive Income & Expenditure Statement	2024/25 £'000
	Cost of services comprising:	
1,450	Current service cost	1,406
87	Administration expenses	92
344	Net interest expense	462
1,881	**Total post-employment benefits charged to the provision of services**	**1,960**
	Post-employment benefits charged to Other Comprehensive Income & Expenditure:	
(101)	Change in accounting estimate	0
1,309	Return on plan assets in excess of interest	1,515
(1,531)	Change in demographic assumptions	(280)
276	Experience loss on defined benefit obligation	(239)
(2,218)	Change in financial assumptions	(13,056)
0	Changes as a result of asset ceiling	9,758
(2,265)	**Total remeasurements recognised in Other Comprehensive Income & Expenditure**	**(2,302)**
(384)	**Total post-employment benefits credited to the Comprehensive Income & Expenditure Statement**	**(342)**

2023/24 £'000	Movement in Reserves Statement	2024/25 £'000
910	Reversal of items for post-employment benefits taken to the surplus or deficit on the Provision of Services (see Note 46)	719
2,791	**Employers' contributions payable to the scheme**	**2,679**
(1,309)	**Actual return on scheme assets less interest**	(1,515)

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:

2023/24 £'000		2024/25 £'000
106,088	Present value of the defined benefit obligation	94,244
(97,096)	Fair value of plan assets	(97,798)
8,992	**Deficit/(Surplus)**	**(3,554)**
0	Impact of asset ceiling	9,758
1,757	Present value of unfunded obligation	1,524
10,749	**Net defined liability in the balance sheet**	**7,728**

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:

2023/24 £'000	Reconciliation of present value of the scheme liabilities	2024/25 £'000
(110,014)	**Opening balance as at 1 April - defined benefit obligation**	**(107,845)**
(1,412)	Current service cost	(1,406)
(38)	Past service cost	0
(5,219)	Interest cost	(5,162)
(582)	Contributions by scheme participants	(541)
2,218	Changes in financial assumptions	13,056
(276)	Experience loss on defined benefit obligation	239
1,531	Changes in demographic assumptions	280
5,947	Benefits paid including unfunded pension payments	5,611
(107,845)	**Closing balance as at 31 March - defined benefit obligation**	**(95,768)**

2023/24 £'000	Reconciliation of fair value of scheme assets	2024/25 £'000
96,090	**Opening balance as at 1 April - fair value of scheme assets**	**97,096**
101	Opening balance adjustment	0
4,875	Interest on assets	4,700
(1,309)	Return on assets less interest	(1,515)
(87)	Administration expenses	(92)
2,791	Employer contributions	2,679
582	Contributions by scheme participants	541
0	Other actuarial gains/(losses)	0
(5,947)	Benefits paid including unfunded pension payments	(5,611)
97,096	**Closing balance as at 31 March - fair value of scheme assets**	**97,798**

2023/24 £'000	Reconciliation of pension asset ceiling	2024/25 £'000
0	**Opening impact of asset ceiling**	**0**
0	Interest on impact of asset ceiling	0
0	Actuarial losses/(gains)	9,758
0	**Closing impact of asset ceiling**	**9,758**

h) Pension Fund Assets

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

31 March 2024			31 March 2025	
£'000	**%**		**£'000**	**%**
56,486	58	Equity investments	55,690	57
7,114	7	Gilts	5,797	6
13,980	14	Bonds	14,538	15
8,711	9	Property	8,009	8
1,546	2	Cash	3,868	4
4,906	5	Absolute return fund	4,995	5
4,353	4	Infrastructure	4,901	5
97,096	**100**	**Total**	**97,798**	**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 2024		31 March 2025
	Mortality assumptions	
	Longevity at 65 if retiring today:	
20.8 years	Men	20.7
23.3 years	Women	23.3
	Longevity at 65 if retiring in 20 years:	
22.0 years	Men	22.0
24.7 years	Women	24.7
3.25%	Rate of inflation (Retail Price Index (RPI) increases)	3.20%
2.90%	Rate of inflation (Consumer Price Index (CPI) increases)	2.90%
3.90%	Rate of increase in salaries	3.90%
2.90%	Rate of increase in pensions	2.90%
4.90%	Rate of discounting scheme liabilities	5.80%

The return on the Fund (on a bid value to bid value basis) for the year to 31 March 2025 is calculated to be 3.32% (3.76% for the year 31 March 2024).

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	89,654	94,489	95,768	97,076	102,625
Projected service cost	864	994	1,030	1,066	1,223
Adjustment to long-term salary increase	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	96,406	95,893	95,768	95,643	95,153
Projected service cost	1,030	1,030	1,030	1,030	1,030
Adjustment to pension increases and deferred revaluatic	**+0.5%**	**+0.1%**	**0.0%**	**-0.1%**	**-0.5%**
Present value of total obligation	102,155	96,986	95,768	94,577	90,077
Projected service cost	1,231	1,067	1,030	993	857
Adjustment to life expectancy assumptions		**+1 Year**	**None**	**-1 Year**	
Present value of total obligation		99,500	95,768	92,196	
Projected service cost		1,069	1,030	991	

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 3 year valuation period (secondary rate payments of £850,000 were made in 2024/25).

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 £2.472m (£2.575m in 2023/24).

The weighted average duration of the defined benefit obligation for scheme members is 14 years for 2024/25 (2023/24 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:

2023/24 Net Expenditure £'000		2024/25 Net Expenditure £'000
30,977	Housing Benefit payments	28,542
13,711	Employee costs	13,936
21,571	Business rates paid to Government and pool	23,434
20,224	Other service expenses	27,876
10,494	Major contracts	11,667
1,730	Parish precepts	1,955
952	Drainage board levy	1,000
698	Trading undertakings losses	293
83	Investment properties	71
2,483	Other items	762
102,923	**Total expenditure**	**109,536**
(30,351)	Housing Benefit income (Note 12)	(27,861)
(25,553)	Business rates income	(27,118)
(8,704)	s31 retail relief grant	(9,569)
(13,797)	Fees, charges and other service income	(14,261)
(11,368)	Council tax	(11,998)
(1,102)	New homes bonus	(674)
(2,923)	Trading undertakings gains	(1,716)
(317)	Revenue support grant	(338)
(7,712)	Grant income credited to cost of services (Note 12)	(10,736)
(2,366)	Other grants and contributions	(4,968)
(1,524)	Other items	(1,737)
(105,717)	**Total income**	**(110,976)**
(2,794)	**(Surplus) on provision of services**	**(1,440)**

11. Financing and Investment Income and Expenditure

2023/24 Net Expenditure £'000		Note	2024/25 Net Expenditure £'000
239	Interest payable & similar charges		763
344	Net interest on the net defined pension liability	9	462
(1,176)	Interest receivable & similar income		(1,037)
(2,225)	Net gains on trading undertakings		(1,423)
(224)	Income – investment properties	28	(254)
235	Change in fair value of investment properties	28	(88)
112	Net (gains) / losses on financial assets through profit and loss	42	(53)
(2,695)			**(1,630)**

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 2025 were £492,000 (£1,254,000 at 31 March 2024).

c) Capital Grants and Contributions

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

d) Grants Credited to Services

2023/24 £'000	Grant Area	Provider	2024/25 £'000
(30,351)	Housing benefit grant	DWP	(27,861)
(513)	Levelling Up Fund	MHCLG	(2,783)
(1,545)	Housing repair grants - disabled facilities	MHCLG	(1,392)
(920)	Homelessness grant	Various	(1,342)
(335)	UK Shared Prosperity Fund	MHCLG	(577)
(329)	Council Tax and Elections New Burdens	MHCLG	(48)
(717)	Household Support Fund	KCC	(500)
(325)	Coronavirus revenue grants - other	Various	(437)
(257)	Council Tax Support Fund S13A	MHCLG	0
(722)	Rough sleeper initiative	MHCLG	(775)
(399)	Housing benefit admin subsidy	DWP	(386)
(134)	Council Tax Support Scheme Admin Grant	KCC	(133)
(248)	Discretionary housing payment	DWP	(261)
0	Local Plans Delivery Fund	MHCLG	(228)
(103)	Implementing welfare reform changes	DWP	(112)
(24)	Council Tax & Business Rates grants	BEIS	0
(53)	Open spaces & play areas - commuted sums	Various	(54)
(1,088)	Other grants	Various	(1,708)
(38,063)			**(38,597)**

13. External Audit Costs

The Council's auditors are Grant Thornton UK LLP.

2023/24 £'000		2024/25 £'000
195	Fees payable for external audit service	202
35	Fees payable for the certification of grant claims and returns	90
230	**Total**	**292**

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

Total assets valued at £1,052,000 were written out in 2024/25. Of this, £1,038,000 related to pieces of equipment that are no longer owned. A total net gain of £236,000 was realised for 2024/25 for all derecognised assets.

No investment properties were disposed of in 2024/25, one investment property was disposed of in 2023/24, with a gain of £33,000. Gains and losses on investment properties are shown within Financing and Investment Income and Expenditure in the Comprehensive Income & Expenditure Statement.

<u>Council Resources – Reserves</u>

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.

2023/24 £'000		2024/25 £'000
(2,946)	**Balance as at 1 April**	**(392)**
(131)	Capital receipts in year from sale of assets	(246)
(18)	Capital receipts in year from repayment of grants	(10)
903	Reclassification of capital receipts	0
1,800	Capital receipts applied during the year - financing long-term assets	0
(392)		**(648)**

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 2025 of £2.043m 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 2023/24 and 2024/25.

	Balance 31 March 2023 £'000	Transfers out 2023/24 £'000	Transfers in 2023/24 £'000	Balance 31 March 2024 £'000	Transfers out 2024/25 £'000	Transfers in 2024/25 £'000	Balance 31 March 2025 £'000
Budget Contingency Reserve	(2,920)	3,140	(2,058)	(1,837)	1,217	(432)	(1,052)
Kent Pool Economic Development Business Rates	(1,888)	289	(1,119)	(2,717)	855	(1,081)	(2,944)
North Kent Housing & Commercial Growth Business Rates	(1,333)	204	0	(1,129)	179	0	(950)
Business Rates Volatility	(1,005)	108	(3,144)	(4,041)	896	(1,017)	(4,162)
Building and Asset Maintenance	(741)	0	0	(741)	0	(35)	(776)
Service Reserves	(1,291)	0	(278)	(1,569)	138	(75)	(1,506)
Waste and Environment	(456)	17	(420)	(859)	1,120	(1,853)	(1,592)
ICT Equipment Reserve	(494)	197	(167)	(464)	172	(84)	(376)
Repairs and Renewals	(305)	0	(37)	(341)	0	(25)	(366)
Miscellaneous	(3,290)	1,254	(630)	(2,667)	721	(933)	(2,879)
Total Earmarked (Excl General Fund)	**(13,723)**	**5,209**	**(7,852)**	**(16,366)**	**5,299**	**(5,536)**	**(16,604)**
Ring Fenced / Accounting / Collection Fund							
Collection Fund & Grants In Advance	(1,325)	1,247	(92)	(170)	28	(31)	(174)
Accounting Adjustments	(82)	0	(250)	(332)	0	(100)	(432)
	(15,130)	**6,456**	**(8,195)**	**(16,869)**	**5,327**	**(5,668)**	**(17,210)**
Net transfer (to) / from reserves			(1,739)			(341)	

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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 2024/25 are shown below.

(Gains) or losses on revaluation		**2024/25**
		£'000
Swallows Leisure Centre, Sittingbourne	Gain	(365)
Sheerness Swimming Pool	Gain	(134)
Sheerness Sports Hall	Gain	(149)
Land at Brielle Way, West Minster	Loss	377
Hotel Building, Sittingbourne	Loss	112
Pavilions and Lodge at Faversham Rec	Loss	(1,402)
Faversham Swimming Pool	Gain	(100)
Cinema Land & Building, Sittingbourne	Gain	(208)

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 loss on the pavilions and lodge at Faversham recreation ground result from a change in the valuation method, following recognition of the asset as a right of use 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.

2023/24		**2024/25**
£'000		**£'000**
(31,944)	**Balance as at 1 April**	**(32,695)**
(28)	Opening balance adjustment	0
(1,960)	(Upward) revaluation of assets	(3,551)
809	Downward revaluation of assets and impairment losses not charged to the deficit on the provision of services in the Comprehensive Income & Expenditure Statement	1,998
(1,178)	**Sub total of revaluations**	**(1,553)**
416	Write down re gains derived from depreciation differences, between historic costs and current value	431
12	Write down of accumulated gains on disposed assets	7
(32,695)	**Balance as at 31 March**	**(33,811)**

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.

2023/24 £'000		Note	2024/25 £'000
(18,173)	**Balance as at 1 April**		**(20,492)**
	Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
1,553	Depreciation of tangible non-current assets		2,397
15	Amortisation of intangible assets		15
2,317	Write down Revenue Expenditure Funded by Capital Under Statute (REFCUS)	30	4,401
314	Revaluation losses taken to Comprehensive & Expenditure Statement - other assets		3,966
235	Revaluation losses taken to Comprehensive & Expenditure Statement - investment assets		1
(1,200)	Revaluation gains and reversal of prior losses taken to Comprehensive Income & Expenditure Statement - other assets		(681)
0	Revaluation gains taken to Comprehensive Income & Expenditure Statement - investment assets		(89)
2,155	Disposal & derecognition of assets - write out of notional net book value		14
	Write down of Revaluation Reserve:		
(416)	Write down of Revaluation Reserve depreciation (gains)	18	(431)
(12)	Write down of Revaluation Reserve accumulated gains on disposed assets	18	(7)
	Capital financing applied in the year:		
(1,800)	Capital financing - capital receipts	32/15	0
(3,796)	Capital financing - Government grants and external contributions	32	(7,765)
(623)	Capital financing - capital reserves	32	(130)
(28)	Capital financing - direct revenue funding	32	0
(1,067)	Minimum revenue provision	32	(1,617)
34	Write down of financing long-term debtors		160
(20,492)	**Balance as at 31 March**		**(20,258)**

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 2025 was a net surplus of £242,000 (£18,000 deficit in 2023/24).

21. Pooled Fund Adjustment Account

The movement in year of £53,000 represents the increase 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 2025. 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 2024/25 was a decrease of £6,000.

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 £7,728,000 (reduced from £10,749,000 in 2023/24) 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 2024/25 are shown in Note 9(f).

2023/24 £'000		2024/25 £'000
13,924	**Balance at 1 April**	10,749
(2,265)	Remeasurements of the net defined benefit liability	(2,302)
1,881	Reversal of items relating to retirement benefits debited or credited to the Deficit on the Provision of Services in the Comprehensive I&E Statement	1,960
(2,791)	Employer's pension contributions	(2,679)
10,749	**Balance at 31 March**	**7,728**

Long-Term Spending – Capital

24. Property, Plant and Equipment (PPE) Assets

Movements in 2024/25:

	Operational Assets				Non-Operational Assets		Total	
	Land & Buildings £'000	Vehicles & Equipment £'000	Infrastructure £'000	Community £'000	Assets Under Construction £'000	Surplus Assets £'000	Property, Plant & Equipment £'000	Right of Use £'000
Cost or Valuation								
As at 1 April 2024	**79,549**	**12,683**	**1,445**	**7,848**	**816**	**1,575**	**103,915**	**0**
Opening balance adjustment	0	0	0	0	0	0	**0**	3,200
Additions	9,929	801	3	85	1,549	0	**12,367**	27
Disposals	(14)	(1,038)	0	0	0	0	**(1,052)**	0
Depreciation written out	(1,198)	0	0	0	0	(0)	**(1,199)**	(48)
Revaluation to Reval Reserve	3,028	0	0	0	0	(375)	**2,653**	(1,100)
Revaluation to CIES	(1,893)	0	0	0	0	0	**(1,893)**	(1,393)
Reclassified	(1,757)	0	0	0	0	0	**(1,757)**	1,757
As at 31 March 2025	**87,643**	**12,446**	**1,448**	**7,933**	**2,365**	**1,200**	**113,035**	**2,444**
Accumulated Depreciation and Impairment								
As at 1 April 2024	**(307)**	**(4,848)**	**(583)**	**(1,136)**	**0**	**0**	**(6,875)**	**0**
Depreciation charge	(1,179)	(1,016)	(33)	(95)	0	0	**(2,323)**	(73)
Disposals	0	1,038	0	0	0	0	**1,038**	0
Depreciation written out	1,198	0	0	0	0	0	**1,198**	48
Reclassified	0	0	0	0	0	0	**0**	(0)
As at 31 March 2025	**(288)**	**(4,826)**	**(617)**	**(1,232)**	**0**	**0**	**(6,961)**	**(25)**
Net Book Value								
As at 31 March 2025	**87,356**	**7,620**	**831**	**6,701**	**2,365**	**1,200**	**106,073**	**2,419**
Net Book Value								
As at 31 March 2024	**79,242**	**7,835**	**862**	**6,711**	**816**	**1,575**	**97,041**	**0**

Movements in 2023/24:

	Operational Assets				Non-Operational Assets		Total
	Land & Buildings	Vehicles & Equipment	Infrastructure	Community	Assets Under Construction	Surplus Assets	Assets
	£'000	£'000	£'000	£'000	£'000	£'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**

The main additions in the year came from the purchase of properties to be used as temporary accommodation (£9,724,000), waste collection and street cleansing vehicles (£674,000) and spend on the Sheerness Revival Levelling Up development (£1,531,000).

Asset disposals included the sale of vacant land at New Road, Minster and beach hut sales. A number of plant, vehicle and equipment assets were also derecognised.

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 £120,000 being charged to the Comprehensive Income & Expenditure Statement.

Right of Use Assets

The table shows the change in the value of right of use assets held under leases by the authority.

Right of Use Assets	**Land and Buildings**	**Vehicles, plant and equipment**	**Total**
	£'000	**£'000**	**£'000**
Balance at 1 April 2024	0	0	**0**
Opening balance adjustments	3,153	46	**3,200**
Reclassification	1,757	0	**1,757**
Additions	0	27	**27**
Revaluations	(2,493)	0	**(2,493)**
Depreciation and amortisation	(49)	(24)	**(73)**
Balance at 31 March 2025	**2,369**	**50**	**2,419**

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 2024/25 Wilks, Head and Eve valued Property, Plant and Equipment assets, and also Investment assets, to a total value of £80,020,000. This total value comprises of valuations carried out on 1 January 2025 totalling £6,230,000 and 31 March 2025 totalling £73,790,000.

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 2025 which would require these to be updated at 31 March 2025, 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	Leased Assets £'000	Infrastructure £'000	Community £'000	Assets Under Construction £'000	Surplus Land & Buildings £'000	Total Property, Plant & Equipment £'000
Carried at historical cost	2,291	0	0	831	6,701	2,365	0	**12,188**
Carried at depreciated historical cost	0	7,620	50	0	0	0	0	**7,670**
Valued at current value as at:								
2020/21	8,418	0	0	0	0	0	0	**8,418**
2021/22	2,376	0	11	0	0	0	0	**2,387**
2022/23	1,611	0	22	0	0	0	0	**1,633**
2023/24	1,530	0	83	0	0	0	0	**1,613**
2024/25	71,131	0	2,253	0	0	0	1,200	**74,583**
Total cost/valuation at 31 March 2025	**87,356**	**7,620**	**2,419**	**831**	**6,701**	**2,365**	**1,200**	**108,492**

Using Wilks, Head and Eve market data, the Council has undertaken a review of all assets that were valued before 2024/25 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 2024/25 the Council has recognised a net loss of £3,198,000 in respect of its non-current assets (net gain of £652,000 in 2023/24).

2023/24 Total £'000		Note	PPE Assets £'000	Investment Assets £'000	2024/25 Total £'000
608	Revaluation - increase recognised in the Provision of Services		410	89	**499**
592	Depreciation written out to the Provision of Services		271	0	**271**
1,200	**Total Gain (credit to deficit)**		**681**	**89**	**770**
(581)	Revaluation - decrease recognised in the Provision of Services		(4,079)	(1)	**(4,080)**
32	Depreciation written out to the Provision of Services		112	0	**112**
(548)	**Total Loss (debit to deficit)**	19	**(3,966)**	**(1)**	**(3,968)**
652	**Net Total (Loss)/Gain Debited/Credited to the Provision of Services**		**(3,286)**	**88**	**(3,198)**

The greatest revaluation gains were incurred on three properties, being the cinema building, Bourne Place (£534,000), the multi-storey car park, Sittingbourne (£44,000), and the Leisure centre, Sittingbourne (£37,000). Eleven other properties incurred gains, averaging £2,600 per property.

The greatest revaluation loss on PPE assets was incurred on three properties, being Forum car park (£1,280,000), Hotel Building, Bourne Place, Sittingbourne (£84,000) and Crown Quay Lane Car Park (£74,000). 32 housing properties bought in the year were also revalued and the building element recognised a loss totalling £2,213,000. Revaluations gains taken to the revaluation reserve were recognised on the land element of these properties which totalled £1,842,000. Twelve other properties incurred losses, averaging £23,000 per property.

Revaluation gains were incurred on four investment properties totalling £89,000.

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 2024	165	401	115	1,651	**2,332**
Additions	0	0	0	0	**0**
Revaluations	0	0	0	0	**0**
As at 31 March 2025	**165**	**401**	**115**	**1,651**	**2,332**
Accumulated Depreciation & Impairments					
As at 1 April 2024	0	0	0	(2)	**(2)**
Depreciation charge	0	0	0	(1)	**(1)**
As at 31 March 2025	**0**	**0**	**0**	**(3)**	**(3)**
Net Book Value As at 31 March 2025	**165**	**401**	**115**	**1,648**	**2,329**
Net Book Value As at 31 March 2024	**165**	**401**	**115**	**1,649**	**2,329**

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):

2023/24 £'000		2024/25 £'000
(307)	Rental income	(325)
83	Direct operating expenses	71
(224)	**Net gain**	**(254)**

The net gain on revaluation for investment properties in the year was £88,000 (£235,000 loss in 2023/24), representing a valuation increase of 2.3.%. 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).

2023/24 £'000		2024/25 £'000
4,173	Balance as at 1 April	3,896
(42)	Disposals	0
0	Gains from revaluations	89
(235)	Losses from revaluations	(1)
3,896	**Balance as at 31 March**	**3,984**

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 £398,000 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.

2023/24 £'000	Grant Area	Funding Provider	2024/25 £'000
1,504	Disabled Facilities Grants Mandatory Grants	MHCLG	1,358
392	Levelling Up Project	MHCLG	2,528
122	IT replacements	SBC	4
111	Rural England Prosperity Fund Grants	SBC	235
66	St. Michael's Church boundary wall, Sittingbourne	SBC	0
61	UK Shared Prosperity Fund Grants	MHCLG	63
41	Housing Repair Grants (over 60)	SBC	34
20	Painters Forstall new community hall grant	SBC	0
0	Faversham Pool	Sport England	178
2,317			**4,401**

31. Commitments under Capital Contracts

The major commitments to spend at 31 March 2025 were:

2023/24 £'000	Project	2024/25 £'000
1,538	Levelling Up Fund Sheerness Revival Project	4,004
674	Waste Vehicle Fleet	60
652	Disabled Facilities Grants	579
2,863		**4,643**

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.

2023/24 £'000		2024/25 £'000
48,406	**Opening Capital Financing Requirement**	**52,113**
8,688	Property, plant and equipment	15,653
2,317	Revenue expenditure funded from capital under statute	4,401
15	Long-term loans	0
11,020		20,054
	Sources of Finance:	
(1,800)	Capital receipts	0
(3,796)	Government grants & external contributions	(7,765)
	Sums set aside from revenue:	
(623)	Reserves funding	(130)
(28)	Direct revenue funding	0
(1,067)	Minimum revenue provision (MRP)	(1,617)
(7,313)	**Total Sources of Finance**	**(9,513)**
52,113	**Closing Capital Financing Requirement**	**62,654**
	Explanation of Movements in Capital Financing Requirement in Year:	
4,774	Capital expenditure to be funded from future MRP when assets are operational	12,158
(1,067)	Reduction in underlying need to borrow (MRP)	(1,617)
3,707	**Total increase/(decrease) in Capital Financing Requirement**	**10,541**

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 and Capital Grant Receipts in Advance

31 March 2024 £'000	Short-Term Creditors	31 March 2025 £'000
(4,960)	Business rates - Central government, KCC and Kent Fire and Rescue shares	(4,733)
(10,605)	Business rates - pool share	(3,667)
(629)	Business rates and council tax payers	(1,037)
(1,367)	Waste contract	(979)
(881)	Business rates - transitional protection payments	(329)
(6,015)	Waste contract vehicles	0
(2,849)	Business rates - appeals	0
(5,716)	Other	(3,740)
(33,023)	**Total Creditors**	**(14,485)**
(396)	Receipts in advance - Other	(188)
(33,418)	Short-term creditors	**(14,673)**

31 March 2024 £'000	Capital Grant Receipts in Advance	31 March 2025 £'000
(519)	S106 - Short term	(1,578)
(2,319)	Receipts in advance - Capital grants	(3,651)
(2,838)		**(5,230)**

The 31 March 2024 comparatives have been restated to include low value items within ‘Other’ creditors.

The decrease in the business rates pool share is because there is now only one year settlement outstanding at 31 March 2025. As at 31 March 2024 there were three years outstanding due to an audit backlog. These were all settled during 2024/25.

The waste contract vehicle costs were a one-off cost for 2023/24. Creditors in relation to this at 31 March 2025 were minimal and included within ‘Other’. The Business rates appeals for 2023/24 were a one off position due to the timing of an appeal refund. This was not applicable for 2024/25 as there were no similar issues.

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 2024		Expenditure	Income	31 March 2025
£'000		£'000	£'000	£'000
(8,660)	S106 held for Third Parties	1,558	(3,701)	(10,802)
(5,198)	Disabled Facilities Grants	1,862	(3,173)	(6,510)
(1,252)	Levelling Up Fund	4,174	(12,000)	(9,077)
(1,795)	Local Authority Housing Fund	1,490	(618)	(923)
(943)	Brownfield Land Release	0	0	(943)
0	Faversham Pool	178	(178)	0
0	UKSPF	165	(185)	(20)
(318)	Other	433	(471)	(357)
	S106 Capital Funding:			
(1,026)	Housing	0	0	(1,026)
(610)	Open Spaces	0	62	(548)
(639)	Play Areas	12	(15)	(642)
(223)	Air Quality & Ecology	27	(47)	(244)
(2,320)	Other	0	(10)	(2,330)
(22,985)	**Total**	**9,899**	**(20,335)**	**(33,421)**

31 March 2024		31 March 2025
£'000		£'000
(2,838)	Due to spend within one year (short-term creditors)	(5,230)
(20,147)	Due to spend in more than one year (long-term liabilities)	(28,191)
(22,985)	**Total**	**(33,421)**

In 2024/25 nothing was repaid. The S106 monies held for third parties is largely due to developments (£10.802m) 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	Other	Total
	£'000	£'000	£'000
Balance at 31 March 2024	(2,278)	(59)	(2,337)
Additional provisions made	(962)	0	(962)
Amounts used	851	0	851
Balance at 31 March 2025	**(2,388)**	**(59)**	**(2,448)**
Long term	(1,542)	(59)	(1,601)
Short term	(847)	0	(847)
	(2,388)	**(59)**	**(2,448)**

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 2025. 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 has been successful in a Planning enforcement case. However, if the enforcement notice is not complied with, 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.

The Department for Work and Pensions (DWP) published an announcement on 5 June 2025 noting the plan to introduce new legislation in response to the Virgin Media v NTL Trustees ruling. The legislation will allow affected pension schemes to retrospectively obtain written actuarial confirmation that historic changes to scheme rules met the required standards. The new legislation is hoped to provide clarity to affected schemes. No further information has been provided at this time. We still await further information but at this time are hopeful there will be no impact on the LGPS.

39. Long-Term Debtors – Other

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

31 March 2024 £'000		31 March 2025 £'000
1,747	Housing repair loans	1,598
136	Rent deposit scheme	290
118	Opportunities for Sittingbourne Limited	118
54	Other long-term loans	44
2,055	**Total debtors**	**2,050**
	Impairment for doubtful debt	
(104)	Rent deposit scheme	(201)
(9)	Other	0
(113)	**Total impairment for doubtful debt**	**(201)**
1,942	**Net long-term debtors**	**1,849**

40. Short-Term Debtors

31 March 2024 £'000		31 March 2025 £'000
6,495	Council tax - KCC, Kent Fire and Rescue Service, and Kent Police and Crime Commissioner shares	7,573
4,017	Business rates and council tax payers	4,403
6,329	Business rates - pool share	2,163
2,693	Sundry debtors	1,677
1,799	Housing benefits overpayments	1,608
250	VAT - HM Revenue and Customs	575
6,930	Housing benefits - Department for Work and Pensions	420
526	Household Support Fund - Department for Work and Pensions	253
1,055	Other	1,593
30,096	**Total debtors**	**20,265**
81	Payments in advance	103
30,177		**20,368**
	Impairmentfor doubtful debt	
(1,141)	Housing benefit overpayments	(1,076)
(2,732)	Other	(2,835)
(3,872)	**Total impairment for doubtful debt**	**(3,911)**
26,304	**Net short term debtors**	**16,458**

The decrease in the business rates pool share is because there is now only one year settlement outstanding at 31 March 2025. As at 31 March 2024 there were three years outstanding due to an audit backlog. These were all settled during 2024/25.

The decrease in Housing Benefits – Department for Work & Pensions reflects a reduction in the variance between payments received on account during the year and the final settlement due at 31 March 2025.

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.

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 2024 £'000		31 March 2025 £'000
123	Cash at bank	122
12,210	Money market funds (Note 42 table 4)	7,910
12,333	Cash and cash equivalent assets	8,031
(1,750)	Payments in transit	153
10,582	**Net cash and cash equivalents**	**8,184**

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
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Amortised cost	**0**	0	**1,849**	1,942	**0**	0	**2,338**	2,670	**4,187**	4,612
Fair value through profit and loss	**2,805**	2,752	**0**	0	**0**	0	**0**	0	**2,805**	2,752
Cash and cash equivalents	**0**	0	**0**	0	**0**	0	**8,184**	12,333	**8,184**	12,333
Total financial assets	**2,805**	2,752	**1,849**	1,942	**0**	0	**10,522**	15,003	**15,176**	19,696
Non-financial assets	**0**	0	**0**	0	**0**	0	**14,120**	23,634	**14,120**	23,634
Total	**2,805**	2,752	**1,849**	1,942	**0**	0	**24,642**	38,637	**29,296**	43,331

Financial Liabilities	**Non-Current**				**Current**					
	Borrowings		**Creditors**		**Borrowings**		**Creditors**		**Total**	Total
	2025	2024	**2025**	2024	**2025**	2024	**2025**	2024	**2025**	2024
	£'000	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000	**£'000**	£'000
Amortised cost	**0**	(5,000)	**(60)**	(60)	**(13,000)**	(5,000)	**(2,040)**	(9,202)	**(15,100)**	(19,262)
Cash and cash equivalents	**0**	0	**0**	0	**0**	0	**0**	(1,750)	**0**	(1,750)
Total financial liabilities	**0**	(5,000)	**(60)**	(60)	**(13,000)**	(5,000)	**(2,040)**	(10,952)	**(15,100)**	(21,012)
Non-financial liabilities	**0**	0	**0**	0	**0**	0	**(17,863)**	(27,054)	**(17,863)**	(27,054)
Total	**0**	(5,000)	**(60)**	(60)	**(13,000)**	(5,000)	**(19,903)**	(38,007)	**(32,963)**	(48,067)

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

2023/24 £'000		**2024/25 £'000**
	Financial liabilities	
234	Interest costs on loans	585
	Financial assets - interest income:	
(74)	Amortised cost: fixed term deposits and call accounts	(37)
(1,102)	Fair value through profit and loss: money market funds and CCLA	(996)
112	(Gains)/losses from change in fair value (note 11)	(53)
(830)	**Net (gain)/loss for the year**	**(501)**

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 2025 of £2.805m 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 four external loans whose fair value at 31 March 2025 is £13.137m (£10.121m at 31 March 2024).

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 2024/25 Treasury Management Strategy was approved by Council on 21 February 2024 and can be obtained from the Council's website:
https://ws.swale.gov.uk/meetings/documents/s27706/Treasury Strategy 2024-25 Council 21 Feb 24.pdf

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 2025. 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 2025.

Table 4 – Investments and Borrowing

Balance Invested at 31 March 2024 £'000	Counterparty MMF = Money Market Funds	Long-Term Rating	Fair Value Level	Balance Invested at 31 March 2025 Up to 1 month £'000	Up to 3 months £'000	Greater than 3 months £'000	Total £'000
3,000	Invesco MMF	AAAmmf	1	3,000			3,000
1,440	SSgA MMF	AAAmmf	1	0			0
1,770	Morgan Stanley MMF	AAAmmf	1	0			0
3,000	Black Rock MMF	AAAmmf	1	1,910			1,910
3,000	Aberdeen MMF	AAAmmf	1	3,000			3,000
0	Deutsche MMF	AAAmmf	1	0			0
12,210	**Total cash & cash equivalents**			**7,910**	**0**	**0**	**7,910**
2,751	CCLA property fund		1			2,804	2,804
2,751	**Total long-term investments**			**0**	**0**	**2,804**	**2,804**
14,961	**Total investments**			**7,910**	**0**	**2,804**	**10,714**
(5,000)	PWLB Loan		2	0	0	(5,000)	(5,000)
0	Spelthorne Borough Council		2	0	0	(3,000)	(3,000)
0	Ashfield District Council		2	0	0	(2,000)	(2,000)
0	Middlesbrough Council		2	0	(3,000)	0	(3,000)
(5,000)	North Northamptonshire Council		2	0	0	0	0
(10,000)	**Total external borrowing**			**0**	**(3,000)**	**(10,000)**	**(13,000)**

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 2025 (nil as at 31 March 2024).

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. Leases

Council as Lessee

The Council has examined its leases and classified them as either operational or finance leases. In some cases the lease transaction is not always conclusive and the Council uses judgement in determining whether the lease is a finance lease arrangement that transfers substantially all the risks and rewards incidental to ownership. In reassessing the leases the Council has estimated implied interest rates to calculate interest and principal payments.

Change in Accounting Policy and Transition to IFRS 16 Lease Accounting

In 2024/25 the Council has applied IFRS 16 Leases as required by the Code of Practice for Local Authority Accounting. The main impact of the new requirements is that for arrangements previously accounted for as operating leases (i.e. without recognising the leased asset or the future rental liability on the balance sheet) a right of use asset and a lease liability are to be brought into the balance sheet at 1 April 2024. Leases for items of low value and leases that expire on or before 31 March 2025 are exempt from the new arrangements.

IFRS 16 has been applied retrospectively, but with the cumulative effect recognised at 1 April 2024. This means that right of use assets and lease liabilities have been calculated as if IFRS 16 had always applied but recognised in 2024/25 and not by adjusting prior year figures. However, some practical expedients have been applied as required or permitted by the Code:

- Lease liabilities are measured at the present value of the remaining lease payments at 1 April 2024, discounted by the Council’s incremental borrowing rate at that date.
- Right of use assets are measured at the amount for the lease liability, adjusted for any prepaid or accrued lease payments that were in the balance sheet on 31 March 2024 – any initial direct costs have been excluded.
- All leases were assessed as to whether they were onerous at 31 March 2024 and it was determined that there were none.

This has resulted in the following additions to the balance sheet at 1 April 2024:

- £3,200,000 right of use assets
- £3,144,000 non-current creditors (lease liabilities)
- £56,000 current creditors (lease liabilities)
- £1,757,000 transfer of assets from land and buildings to right of use assets

Transactions under leases

The authority incurred the following expenses and cash flows in relation to leases:

	2024/25
Comprehensive Income and Expenditure Statement	**£'000**
Interest expense on lease liabilities	174
Expense relating to short-term leases	1
Expense relating to exempt leases of low-value items	0
Variable lease payments not included in the measurement of lease liabilities	1
Cash Flow Statement	
Total cash outflows for leases	234

The cash outflow for leases includes the full amounts paid in lease/rental payments for the year. Under IFRS 16 this is split between interest, which is charged to the comprehensive income and expenditure statement, and repayment of principal which reduces the lease liability. The repayment of principal element of £58,000 is the difference between expenses charged in the comprehensive income and expenditure statement, and the total cashflows included in the cashflow statement.

Maturity analysis of lease liabilities

The lease liabilities are due to be settled over the following time bands (measured at the undiscounted amounts of expected cash payments):

	2024/25
Maturity analysis of lease liabilities	**£'000**
Less than one year	203
One to five years	765
More than five years	11,582
Total undiscounted liabilities	**12,550**

The council leases two car parks under what would have historically been an operating lease model. However, these were treated as rental agreements, and were not included in the disclosure of current and future lease payments. Having reviewed all leases as part of the implementation of IFRS 16, this error has been discovered. As the leases would have been operating leases, there would be no impact on the main financial statements, but this note would have reflected the future payments due. The maturity analysis of the car park leases at 31 March 2024 are shown below:

	31 March 2024
Maturity analysis of car park leases	**£'000**
Less than one year	187
One to five years	748
More than five years	11,769
Total amount payable	**12,703**

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 authority received the following income from operating leases during the year.

2023/24		**2024/25**
£'000	**Operating leases**	**£'000**
(637)	Total lease income	(631)

The lease receivables are due to be collected over the following time bands (measured at the undiscounted amounts of expected cash receipts):

31 March 2024		31 March 2025
£'000		**£'000**
2,145	Less than one year	2,085
2,083	One to two years	2,055
2,052	Two to three years	1,960
1,956	Three to four years	1,784
1,781	Four to five years	1,748
35,190	More than five years	33,894
45,207	**Total undiscounted receivables**	**43,526**

This note has been updated to reflect the undiscounted lease payments to be received on an annual basis for each of the first five years and a total amount for the remaining years, as required by the Code of Practice for 2024/25.

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 2024/25 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 2024/25 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 2024/25, 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 96 – 100. Kent County Council also administers the Kent Pension Fund on behalf of Swale and other Kent districts (see pages 59 – 63).

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. 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 2024/25 the Council paid £179,000 in relation to this company to fund development and assessment costs. The Company will publish its own separate accounts for 2024/25. 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 2025 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 2024/25	Usable Reserves			
	General Fund Balance £'000	Capital Receipts Reserve £'000	Capital Grants Unapplied £'000	Unusable Reserves £'000
Adjustments to Revenue Resources				
Pension Costs	719	0	0	(719)
Pooled Fund Adjustment Account	53	0	0	(53)
Holiday Pay	6	0	0	(6)
Council Tax and Business Rates	260	0	0	(260)
Capital Grants moved to Capital Grants Unapplied	190	0	(190)	0
Reversal of entries for capital expenditure	(9,923)	0	(88)	10,011
Total Adjustment to Revenue Resources	**(8,694)**	**0**	**(278)**	**8,973**
Adjustments between Revenue & Capital Resources				
Transfer of sale proceeds from non-current assets to CRR	236	(250)	0	14
Statutory provision for financing of capital investment (MRP)	1,617	0	0	(1,617)
Capital expenditure charged to the General Fund	126	0	0	(126)
Total Adjustments between Revenue & Capital Resources	**1,979**	**(250)**	**0**	**(1,729)**
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	0	0
Capital grants used to finance capital expenditure	7,776	(6)	0	(7,770)
Total Adjustments to Capital Resources	**7,776**	**(6)**	**0**	**(7,770)**
Total Adjustments	**1,060**	**(256)**	**(278)**	**(526)**

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)**

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

2023/24 Business Rates £'000	2023/24 Council Tax £'000	2023/24 Total £'000		Note	2024/25 Business Rates £'000	2024/25 Council Tax £'000	2024/25 Total £'000
			Income				
0	(104,560)	(104,560)	Council tax receivable	48	0	(112,067)	(112,067)
0	(293)	(293)	Transfer for S13A(1)(C) Reliefs		0	(34)	(34)
(52,613)	0	(52,613)	Business rates receivable	49	(64,520)	0	(64,520)
(6,176)	0	(6,176)	Transitional protection payments receivable		(1,619)	0	(1,619)
(58,789)	**(104,853)**	**(163,641)**	**Sub Total**		**(66,140)**	**(112,100)**	**(178,240)**
			Contribution towards previous year's Collection Fund forecast deficit				
0	(45)	(45)	Swale Borough Council		0	(31)	(31)
0	(282)	(282)	Kent County Council		0	(208)	(208)
0	(17)	(17)	Kent Fire & Rescue Service		0	(12)	(12)
0	(42)	(42)	Kent Police & Crime Commissioner		0	(33)	(33)
0	**(386)**	**(386)**	**Sub Total**		**0**	**(283)**	**(283)**
(58,789)	**(105,239)**	**(164,027)**	**Total Income**		**(66,140)**	**(112,384)**	**(178,523)**
			Expenditure				
			Precepts, demands and shares:				
29,089	0	29,089	Central Government		30,041	0	30,041
23,271	11,413	34,684	Swale Borough Council		24,032	12,064	36,097
5,236	76,211	81,447	Kent County Council		5,407	81,134	86,541
582	4,336	4,918	Kent Fire & Rescue Service		601	4,529	5,129
0	12,078	12,078	Kent Police & Crime Commissioner		0	12,902	12,902
58,178	**104,038**	**162,216**	**Sub Total**		**60,081**	**110,628**	**170,709**
193	0	193	Cost of collection		193	0	193
5,347	0	5,347	Disregard amounts - renewable energy		4,446	0	4,446
54	0	54	Interest charged to Collection Fund		218	0	218
818	1,350	2,168	Allowance for debt impairment	50	(105)	2,083	1,978
(7,357)	0	(7,357)	Appeals charged to the Collection Fund		(2,128)	0	(2,128)
1,249	0	1,249	Change in provision for check, challenge & appeal	51	2,406	0	2,406
304	**1,350**	**1,654**	**Sub Total**		**5,029**	**2,083**	**7,112**
			Contribution towards previous year's Collection Fund forecast surplus				
462	0	462	Central Government		172	0	172
370	0	370	Swale Borough Council		137	0	137
83	0	83	Kent County Council		31	0	31
9	0	9	Kent Fire & Rescue Service		3	0	3
924	**0**	**924**	**Sub Total**		**343**	**0**	**343**
59,406	**105,388**	**164,794**	**Total Expenditure**		**65,454**	**112,711**	**178,164**
618	**149**	**767**	**Surplus Movement for the Year**		**(686)**	**327**	**(359)**
(727)	**216**	**(511)**	**(Surplus)/Deficit as at 1 April**		**(110)**	**365**	**255**
(110)	**365**	**255**	**(Surplus)/Deficit as at 31 March**	47	**(796)**	**692**	**(104)**

47. Collection Fund Surplus / Agency Arrangements

Swale Borough Council's element of the Collection Fund surplus is £243,000 at 31 March 2025 (£4,000 surplus in 2023/24) 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 2025 split into its attributable parts is shown below:

2023/24 Total £'000		2024/25 Business Rates £'000	2024/25 Council Tax £'000	2024/25 Total £'000
(55)	Central Government	(398)	0	(398)
(4)	Swale Borough Council	(318)	75	(243)
257	Kent County Council	(72)	508	436
14	Kent & Medway Fire & Rescue Service	(8)	28	20
42	Kent Police & Crime Commissioner	0	81	81
255	**Balance as at 31 March**	**(796)**	**692**	**(104)**

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 50,367.85 (49,673.46 in 2023/24). 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 2024/25 is listed below:

Band	Basic Tax £	Proportion of Band D Charge	Number of Band D Equivalent Dwellings
A	133.80	6/9	4,275.78
B	156.10	7/9	9,566.45
C	178.40	8/9	13,010.94
D	200.70	9/9	10,739.30
E	245.30	11/9	6,843.91
F	289.90	13/9	3,703.73
G	334.50	15/9	2,016.02
H	401.40	18/9	211.73
		Total	**50,367.85**

More detail on the calculation of the Council Tax base can be found here:
https://ws.swale.gov.uk/meetings/documents/s27385/Council Tax Base 24-25 Officer decision.pdf

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 2024/25 was 1.3% (1.01% in 2023/24). The original anticipated income from the tax base of 50,367.85, (calculated on 22 December 2023), and Band D of £2,196.40 (Band D £2,157.58 plus average parish precept of £38.82) was £110,628,000. The actual income was £112,067,000.

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%).

2023/24 £'000		2024/25 £'000
(52,613)	Business rates receivable	(64,520)
(6,176)	Transitional Protection Payments	(1,619)
818	Allowance for debt impairment	(105)
193	Cost of Collection	193
54	Cost of Interest	218
(6,109)	Movement in Appeals Provision	277
5,347	Renewable energy disregard amount	4,446
(58,484)	**Business Rates Income**	**(61,110)**

The rateable value for the Council's area at the end of the financial year 2024/25 was £164,034,000 (£163,390,000 for 2023/24).

The business rate multiplier set for 2024/25 was 54.6p (51.2p in 2023/24). Small businesses have a lower rate multiplier of 49.9p (49.9p in 2023/24).

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:

2023/24 Business Rates £'000	2023/24 Council Tax £'000		2024/25 Business Rates £'000	2024/25 Council Tax £'000
(2,041)	(4,188)	Balance as at 1 April	(2,763)	(5,117)
96	421	Less amounts written off	122	354
(818)	(1,350)	(Increase)/decrease in provision	105	(2,083)
(2,763)	**(5,117)**	**Balance as at 31 March**	**(2,537)**	**(6,845)**
(1,105)	(558)	Swale Borough Council's share	(1,015)	(741)

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 2025, the total council tax outstanding debt was £16.394m (£13.731m in 2023/24) of which debt one year old was £5.399m, debt between two to five years old was £8.603m and debt over five years old was £2.392m.

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 2025, the total business rates outstanding debt was £3.487m (£3.830m in 2023/24) of which debt one year old was £1.159m, debt between two to five years old was £1.498m and debt over five years old was £0.830m.

51. Provision for Check, Challenge and Appeals for Business Rates

2023/24 £'000		2024/25 £'000
(11,802)	Balance as at 1 April	(5,694)
7,357	Less amounts charged to appeals	2,128
(1,249)	(Increase)/decrease in provision	(2,406)
(5,694)	**Balance as at 31 March**	**(5,971)**
(2,278)	Swale Borough Council's share	(2,388)

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 2017 and 2023. The 2017 RV list is now closed, and the provision is based on outstanding appeals for businesses for this list. 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 £60,000 for every 1% increase in total rateable value, under appeal.

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 2024/25 (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.

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 (now Ministry for Housing, Communities and Local Government)
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
MHCLG	Ministry for Housing, Communities and Local Government
MIRS	Movement in Reserves Statement
MKS	Mid Kent Services

Glossary

MMF	Money Market Funds
MRP	Minimum Revenue Provision
MTFP	Medium Term Financial Plan
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

Grant Thornton

Swale Borough Council

Auditor's Annual Report
Year ending 31 March 2025

October 2025

Consultation Draft

Contents

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 completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

01 Introduction and context

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Introduction

This report brings together a summary of all the work we have undertaken for Swale Borough Council during 2024-25 as the appointed external auditor. The core element of the report is the commentary on the value for money (VfM) arrangements. The responsibilities of the Council are set out in Appendix A. The Value for Money Auditor responsibilities are set out in Appendix B.

Opinion on the financial statements

Auditors provide an opinion on the financial statements which confirms whether they:

- give a true and fair view of the financial position of the Council as at 31 March 2025 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 2024-25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We also consider the Annual Governance Statement and undertake work relating to the Whole of Government Accounts consolidation exercise.

Auditor's powers

Under Section 30 of the Local Audit and Accountability Act 2014, the auditor of a local authority has a duty to consider whether there are any issues arising during their work that indicate possible or actual unlawful expenditure or action leading to a possible or actual loss or deficiency that should be referred to the Secretary of State. They may also issue:

- Statutory recommendations to the full Council which must be considered publicly
- A Public Interest Report (PIR).

Value for money

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources (referred to as Value for Money). The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

- financial sustainability
- governance
- improving economy, efficiency and effectiveness.

Our report is based on those matters which come to our attention during the conduct of our normal audit procedures, which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. The NAO has consulted on and updated the Code to align it to accounts backstop legislation. The new Code requires auditors to share a draft Auditor's Annual Report (AAR) with those charged with governance by a nationally set deadline each year, and for the audited body to publish the AAR thereafter. This new deadline requirement is introduced from November 2025.

Local government – context

Local government has remained under significant pressure in 2024-25

National

Past

Funding not meeting need

The sector has seen prolonged funding reductions whilst demand and demographic pressures for key statutory services has increased; and has managed a period of high inflation and economic uncertainty.

Workforce and governance challenges

Recruitment and retention challenges in many service areas have placed pressure on governance. Recent years have seen a rise in the instance of auditors issuing statutory recommendations.

Present

Financial sustainability

Many councils continue to face significant financial challenges, including housing revenue account pressures. There are an increasing number of councils in receipt of Exceptional Financial Support from the government.

External audit backlog

Councils, their auditors and other key stakeholders continue to manage and reset the backlog of annual accounts, to provide the necessary assurance on local government finances.

Future

Funding reform

The UK government plans to reform the system of funding for local government and introduce multi-annual settlements. The state of national public finances means that overall funding pressures are likely to continue for many councils.

Reorganisation and devolution

Many councils in England will be impacted by reorganisation and/or devolution, creating capacity and other challenges in meeting business as usual service delivery.

Local

Swale Borough Council (the Council) is a district Council serving a population of approximately 155,000 residents. Swale is predominantly rural, and lies on Kent's northern coast, between Medway, Maidstone, and Canterbury, approximately 45 miles from London. The borough encompasses the towns of Sittingbourne and Faversham, the Isle of Sheppey, and a vast rural hinterland. The Council comprises 47 councillors (referred to as 'Members'), representing 24 wards. Councillors are elected for four-year terms, with the most recent election held on 4 May 2023. Since May 2022, Swale has operated under a Committee System and is governed by a coalition administration.

It is within this context that we set out our commentary on the Council's value for money arrangements in 2024-25.

Grant Thornton insights – Local Government Reorganisation (LGR)

National perspectives – devolution and LGR

In December 2024, the English Devolution White Paper set out the government's vision for a simpler form of local government. The intention is to produce better outcomes, save money for reinvestment in local services and to improve local accountability. All councils with a two-tier county and district system of local government (together with neighbouring small unitary councils) were required to set out the plans for a programme of devolution and local government reorganisation.

On 5 February 2025, the government's Devolution Priority Programme was announced to establish six new regional Mayoral Strategic Authorities. Those selected for the programme submitted plans by May 2025 with the ambition of holding Mayoral elections in May 2026.

On the same date, all remaining councils with a 2-tier were required to develop proposals to reconfigure county and district services into one or more new unitary councils. Plans are required to be submitted by 28 November 2025 with the ambition of establishing the new unitaries from April 2028.

Local perspectives – LGR in the Kent region

In February 2025 the 14 councils in the Kent region were informed they would not be included in the Devolution Priority Programme. The move to a Mayoral Strategic Authority model for regional services would be delayed.

Kent councils submitted an interim plan for LGR in March 2025 and are currently developing a full proposal for submission by 28 November 2025. Governance arrangements are in place to manage the process, overseen by the Kent and Medway Joint Chief Officers group. A single external development partner has been appointed to develop options for consultation over the summer and autumn of 2025 and will support the development of the final proposals in November.

Our discussion with councils in the Kent region indicate a good level of collaboration between officers to progress the LGR agenda. Kent has a diverse political landscape, and the political discussion is expected to become more challenging as the proposals crystallise, particularly in regard to the specific configuration of the new unitaries.

Grant Thornton insight

What the Council is already doing

- Active participation of officers in the governance and options appraisal process and meeting regularly with counterparts across the region.
- Safeguarding responsible financial decisions in the medium-term including use of reserves

What others do well

- Modelling potential outcomes to discuss with members and establish political priorities.
- Making advance preparations for member and public engagement within a tight timeframe.
- Considering the potential cost of transition for the Council and how this will be funded.
- Planning for implementation processes and governance of new delivery models.

02 Executive summary

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Executive summary – our assessment of value for money arrangements

Our overall summary of our value for money assessment of the Council's arrangements is set out below. Further detail can be found on the following pages.

Criteria		2023-24 Assessment of arrangements	2024-25 Risk assessment		2024-25 Assessment of arrangements
Financial sustainability	A	No significant weaknesses in arrangements identified, but one improvement recommendation made	No risks of significant weaknesses identified.	A	No significant weaknesses in arrangements identified. One improvement recommendation made in relation to establishment of a long-term savings programme (see page 19).
Governance	A	No significant weaknesses in arrangements identified, but two improvement recommendations made.	No risks of significant weaknesses identified.	G	No significant weaknesses in arrangements and no new improvement recommendations made. One prior year improvement recommendation remains (see page 25).
Improving economy, efficiency and effectiveness	G	Our work did not identify any areas where we considered that key or improvement recommendations were required.	No risks of significant weaknesses identified.	G	No significant weaknesses in arrangements and no new improvement recommendations made.

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

Executive summary

We set out below the key findings from our commentary on the Council's arrangements in respect of value for money.

Financial sustainability

The Council delivered a strong financial performance in 2024-25, achieving a £0.317m surplus on its £25.7m revenue budget largely due to higher investment income. Despite pressures in Planning Services and a £14.7m capital underspend due to project delays, reserves remained robust and financial planning prudent through the medium-term financial strategy (MTFS).

While the MTFS highlights future pressures, there is still no formal long-term savings programme, with balancing annual budgets relying on short-term service-level savings and drawdown from reserves. The 2025-26 budget was developed through consultation and includes risk considerations, with ongoing efforts to improve alignment between financial and corporate plans to support transparency and resilience.

Governance

The Council's internal Audit reported 'Sound Assurance' on the Council's internal controls and governance in its 2024-25 annual report.

We consider the Council's governance arrangements are good and there is good engagement from all key stakeholders in governance processes which are managed in an appropriate way.

The Council makes informed decisions and manages risks through strong governance, regular audit and committee oversight, clear policies, and compliance with statutory frameworks. Risks are tracked via a corporate register and addressed through internal controls and ethical standards.

Improving economy, efficiency and effectiveness

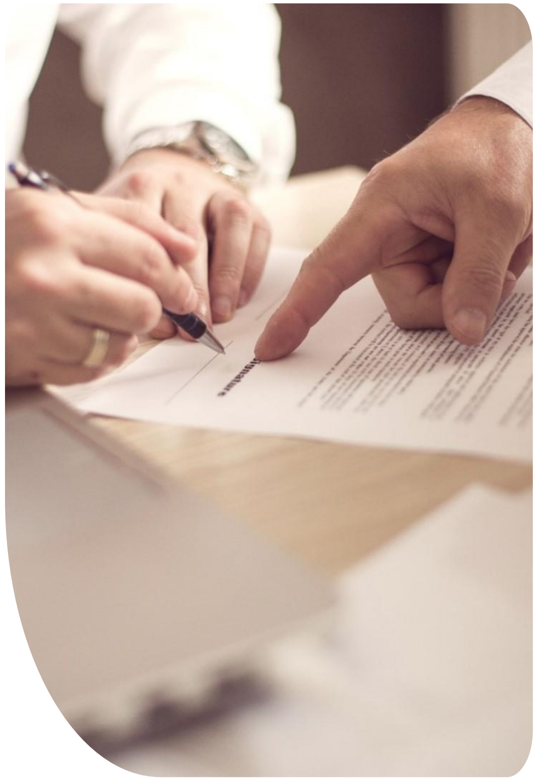
The Council uses cost and performance data to guide service improvement through structured financial monitoring, targeted audits, and stakeholder engagement. While performance reporting is not as fully integrated with activity data as recommended (see page 26), regular committee oversight and variance analysis help manage budget pressures.

The Council responds to service issues - such as in waste management - by using public feedback and scrutiny to drive contract improvements. Procurement and commissioning policies emphasise value for money and collaboration, though benchmarking and real-time data use remain limited. Strategic plans are shaped by consultation, aligning resources with community needs.

Executive summary – auditor's other responsibilities

This page summarises our opinion on the Council's financial statements and sets out whether we have used any of the other powers available to us as the Council's auditors.

Auditor's responsibility	2024-25 outcome
Opinion on the financial statements	Our audit of your draft financial statements published on 6 June 2025 is substantially complete. On conclusion, we will issue our audit opinion, following the approval of the accounts by the Audit Committee meeting in October. Refer to pages 12 to 13 for further details
Use of auditor's powers	We did not make any written statutory recommendations under Schedule 7 of the Local Audit and Accountability Act 2014. We did not make an application to the Court or issue any Advisory Notices under Section 28 of the Local Audit and Accountability Act 2014. We did not make an application for judicial review under Section 31 of the Local Audit and Accountability Act 2014. We did not identify any issues that required us to issue a Public Interest Report (PIR) under Schedule 7 of the Local Audit and Accountability Act 2014.



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03 Opinion on the financial statements and use of auditor's powers

Opinion on the financial statements

These pages set out the key findings from our audit of the Council's financial statements, and whether we have used any of the other powers available to us as the Council's auditors.

Audit opinion on the financial statements

Our audit of your draft financial statements published on 6 June 2025 is substantially complete. On conclusion, we will issue our audit opinion, following the approval of the accounts by the Audit Committee meeting. The full opinion will be included in the Council's Annual Report for 2024/25, which can be obtained from the Council's website.

Grant Thornton provides an independent opinion on whether the Council's financial statements:

- give a true and fair view of the financial position of the Council as at 31 March 2025 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 2024-25
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with: International Standards on Auditing (UK), the Code of Audit Practice (2024) published by the National Audit Office, and applicable law. We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

Findings from the audit of the financial statements

The Council provided draft accounts three weeks in advance of the national deadline of 30 June 2025.

Draft financial statements were of a good standard and supported by detailed working papers. Our audit is substantially complete. We identified one immaterial adjustment to the Council's Comprehensive Income and Expenditure Statement and an immaterial unadjusted misstatement. These has no impact on your usable reserves. We also identified a small number of disclosure amendments and made recommendations to improve your accounting disclosures in 2025/26.

Furthermore, the prior year error reported in 2023/24 Audit Findings Report which resulted in last year's accounts being qualified is disclosed as part of 2024/25 comparator. The prior year error was a £2.085m prior period adjustment where expenditure relating to Kent County Council was recorded as Property Plant and Equipment instead of Revenue Expenditure Funded from Capital Under Statute (REFCUS) and should have been expensed. Management had chosen not to adjust the 2023/24 financial statements. The impacted comparative information includes the primary statements (Comprehensive Income and Expenditure Statement, Movement in reserves statements, Cash Flow and related notes). Our anticipated financial statements audit report opinion will be modified in this respect.

Audit Findings Report

We report the detailed findings from our audit in our Audit Findings Report. A final version of our report will be presented to the Council's Audit Committee on 15 October 2025. Requests for this Audit Findings Report should be directed to the Council.

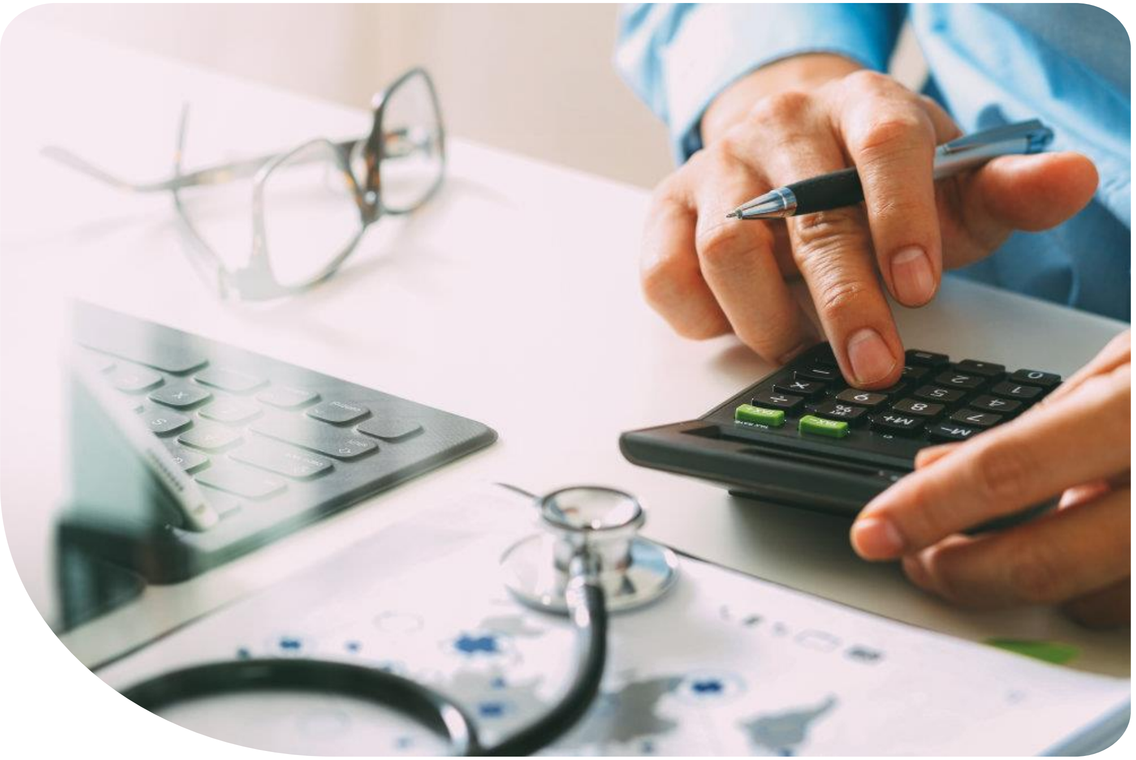
Other reporting requirements

Annual Governance Statement

Under the Code of Audit Practice published by the National Audit Office 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, 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.



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04 Value for money commentary on arrangements

Value for money – commentary on arrangements

This page explains how we undertake the value for money assessment of arrangements and provide a commentary under three specified areas.

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Council's report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The National Audit Office (NAO) Code of Audit Practice ('the Code'), requires us to assess arrangements under three areas:

Financial sustainability

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

Improving economy, efficiency and effectiveness

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

Financial sustainability – commentary on arrangements (1)

We considered how the Council:	Commentary on arrangements	Rating
identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds these into them	The Council delivered a strong financial performance in 2024-25, reporting a £0.317m surplus on its £25.7m revenue budget, aided by reduced reserve use (budgeted £1.6m v Actual £1.3m) and higher investment income (£393k increase). A £0.9m overspend in Planning Services was offset by temporary savings and late housing grants. The capital budget of £23.6m saw a £14.7m underspend due largely (£12.5m) to Local Housing Company housebuilding project delays. Spend has been re-profiled into 2025-26. For 2025-26, the Council has set a £26.488m revenue budget, including a £0.677m reserve drawdown, with prudent assumptions on pay, inflation, and Council tax. Financial planning is integrated, with the MTFS modelling key scenarios and a risk appendix outlining mitigations. An annual forecast deficit of £4.9m by the end of the MTFS period to 2028-29 poses a challenge and, though strong planning and oversight support resilience, without a formal savings programme this will be a difficult challenge to meet.	G

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

Financial sustainability – commentary on arrangements (2)

We considered how the Council:	Commentary on arrangements	Rating
plans to bridge its funding gaps and identify achievable savings	The Council has not yet adopted a formal long-term savings programme, as recommended in the 2023-24 Value for Money report. It continues to identify savings within service budgets and monitor them through existing processes, reflecting uncertainty around future funding reforms, and potential local government reorganisation. We note that the Council's Reserves are at prudent levels of £20.3m in total including Earmarked reserves, a General Fund reserve of £3.1m (11.8% of last year's outturn, so maintained at a generally accepted good level) and a budget contingency reserve. The Council's reliance on the latter has reduced from £1.2m in 2023/24 to a budgeted £0.677m in 2025/26. While this approach is understandable, establishing governance for a dedicated savings programme remains advisable to support long term financial resilience. We have reiterated our recommendation for a formal savings programme (see page 19), which we believe remains a prudent step despite ongoing uncertainties.	A
plans finances to support the sustainable delivery of services in accordance with strategic and statutory priorities	The Council recognises that while financial and corporate strategies are in place, full alignment is still developing. Work on an annual delivery plan aims to better connect service delivery with financial planning. Budget and performance are monitored quarterly by management and reported to councillors every six months. The budget-setting process involves detailed engagement with Heads of Service to review spending for affordability and value. Facing financial pressures, the Council is taking a collaborative approach by working closely with services to identify savings and recognises the need for stronger strategic integration and long-term sustainability.	G

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

Financial sustainability – commentary on arrangements (3)

We considered how the Council:	Commentary on arrangements	Rating
ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system	The Council's 2025-26 Budget and MTFS are part of a wider set of integrated strategies including the Corporate Plan, Capital Programme, Treasury Management, and Workforce Strategy. The MTFS seeks to align resources with long-term goals. The Capital Programme outlines four years of investment totalling £32m, funded through receipts, grants, and borrowing, with affordability checks for debt-financed projects. Regular reporting provides transparency and oversight, supporting prudent financial management and reinforcing the Council's commitment to strategic alignment and financial resilience.	G
identifies and manages risk to financial resilience, e.g. unplanned changes in demand, including challenge of the assumptions in underlying plans	Financial risks are monitored in its corporate risk register, with quarterly reporting to both the Audit Committee and Policy & Resources Committee. The most significant red-rated corporate risks are identified as the cost-of-living crisis and major contractor failure. Specific key risks, such as inflation, funding uncertainty, rising service demand, contractor instability, and homelessness were reflected in the 2025-26 Budget and MTFS, which included a dedicated risk appendix. While formal scenario planning wasn't used in budget monitoring, the MTFS featured detailed modelling of inflation and Council Tax, offering a clear view of financial pressures and the Council's approach to managing uncertainty.	G

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

Financial sustainability – improvement recommendation

Area for improvement: Savings programme

Key finding: The Council's MTFS projects savings are required to cover a forecast annual deficit of £4.9m by 2028-29. Our report last year included an improvement recommendation that the Council should put in place a savings programme to address the forecast deficits at that point. We note that the 2025-26 budget has a small deficit of £677k which the Council is proposing to meet from its reserves, but we are concerned that there is not yet a formal long-term savings programme in place. Savings of this scale typically require transformational change with a supporting governance structure in place and the gestation period for such savings can be long as they often require significant IT and system changes.

Evidence: The MTFS includes the detail of a forecast deficits of £4.9m by 2028-29. In our discussions with senior management, we are pleased to hear the structured approach to short-term savings, but we have not seen plans for a longer-term savings programme, over the whole period of the MTFS, being discussed nor discussion of the appropriate governance arrangements required to support such a programme e.g. Savings Board with a clear structure and regular monitoring and reporting from Head of Service level upwards.

Impact: Failure to establish a long-term savings programme and the associated governance arrangements will lead to the Council having challenges in terms of its financial sustainability.

Improvement recommendation 1

IR1: The Council should act promptly to develop a long-term savings programme and associated governance arrangements that address the forecast deficits included in its MTFS. As part of this there should be strong governance arrangements to ensure savings are tracked and reported on regularly, and to ensure there is transparency with Members and senior management on progress against targets.

Grant Thornton insight

In councils where finances are well-managed, we find the arrangements around long-term savings programmes are well-established. These typically involve:

- Close alignment with the MTFS
- Use of external benchmarking to identify areas for efficiency and to improve value for money
- A dedicated Savings/Transformation Board to govern the process
- A clear structure in place for regular monitoring and feedback on progress against targets at levels from Heads of Service upwards so that senior managers and Members are clear on progress
- Clear identification of the areas of risk and the mitigation plans in place.

Governance – commentary on arrangements (1)

We considered how the Council:	Commentary on arrangements	Rating
monitors and assesses risk and how the Council gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud	The Council has good arrangements for risk monitoring and internal control assurance, including an up-to-date Risk Management Framework, Corporate Risk Register, and oversight by the Audit Committee and Strategic Management Team. The Council's Corporate Risk Register is reviewed quarterly by the Strategic Management Team (SMT), with the Audit Committee providing independent assurance and challenge. As of March 2025, there are 14 corporate risks (down from 16 last year) and 128 operational risks (up from 118) including shared services, with no risks currently outside the Council's risk tolerance after mitigation. Internal audit is delivered by Mid Kent Audit Partnership under a risk-based plan, with a "Sound – Operating" opinion issued for 2024-25. As of June 2025, the 24-25 report stated 12 audits were completed in 2024/25, with 57 new actions raised and 29 actions cleared. There are currently no overdue actions, all 2023/24 actions have been completed, and 46 actions from 2024/25 are in progress but not overdue. Fraud prevention is supported by relevant policies, participation in the National Fraud Initiative, and external collaboration, with regular updates to the Audit Committee. Where fraud is detected, the Council seeks all available sanctions criminal, civil, and disciplinary, and aims to recover any financial losses. However, there have been no such cases reported in 2024/25. A previous recommendation to map risks to strategic objectives remains outstanding, and we continue to advise its implementation to improve Member oversight. However, there is no evidence of this recommendation being addressed (see page 25).	A

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

Governance – commentary on arrangements (2)

We considered how the Council:	Commentary on arrangements	Rating
approaches and carries out its annual budget setting process	The Council has a structured approach to its annual budget setting process. The Council considered alternative budget scenarios, including changes to National Insurance Contributions, which required adjustments to reserve usage. These scenarios were discussed in committee and reflected in the final budget. Service budgets are subject to challenge sessions led by Finance and EMT. These sessions review assumptions, validate pressures, and assess deliverability of savings. The Council also conducted public consultation on the draft budget, including engagement with residents and local businesses. Feedback was considered in the final proposals presented in February 2025. The Finance team provides guidelines to ensure consistency, and the Section 151 Officer offers a statutory opinion on the robustness of estimates. Public consultation and cross-party engagement are integral to the process. The Council also considers alternative scenarios and conducts challenge sessions to validate assumptions and savings.	G

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

Governance – commentary on arrangements (3)

We considered how the Council:	Commentary on arrangements	Rating
ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency, including from audit committee	The Council has established arrangements to ensure informed, transparent, and accountable decision-making. Policy & Resources Committee papers include officer reports with financial, legal, and equality impact assessments, and Forward Plans are published to enable scrutiny. Minutes reflect active discussion and challenge, though some meetings show limited visible debate. The Policy & Resources Committee meeting held on 12 June 2025 included detailed papers on housing strategy updates and climate action plans. Officer reports provided options, risks, and recommendations, and minutes showed active discussion and amendments before approval. The Audit Committee engages with internal and external audit findings, challenges officers, and monitors governance risks. The Audit Committee meeting on 17 July 2024 included the Head of Audit Opinion, which assessed the effectiveness of risk management and internal controls. The Committee discussed areas of concern and sought clarification from officers. Minutes show that Committee members question officers and auditors on findings, implementation of recommendations, and governance risks. Shared services under the Mid Kent Services Partnership are overseen through structured governance and reporting mechanisms.	G

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

Governance – commentary on arrangements (4)

We considered how the Council:	Commentary on arrangements	Rating
monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour	Council has comprehensive arrangements in place to uphold appropriate standards and ensure compliance with legislative and regulatory requirements. These include regular monitoring of policy changes through internal audit processes, adherence to codes of conduct for officers and councillors, and oversight by the Standards Committee. Registers for gifts, hospitality, and interests are maintained. The 23-27 corporate plan reflects the Council's response to constrained resources and evolving national priorities, ensuring alignment with government direction. It was led by members, supported by the Executive Management Team, and endorsed by the Policy & Resources Committee on 20 March 2024, and introduced into the Full Council on 3 April 2024. The Annual Governance Statement confirms compliance with key frameworks and reports no significant breaches or cybersecurity incidents. The Council's Commissioning and Procurement Policy, aligned with the Procurement Act 2023 and other regulations, ensures transparency, fairness, and strategic alignment in service procurement. In prior year, we raised an improvement recommendation around improving the Council's member-to-officer relationships. From conversations with officers it has been reported these relationships have seen improvements and led to better cohesion in the Council.	G

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

Governance – commentary on arrangements (5)

We considered how the Council:	Commentary on arrangements	Rating
ensures effective processes and systems are in place to ensure budgetary control; to communicate relevant, accurate and timely management information; supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships	The Council has established robust arrangements to ensure effective financial governance. Budgetary control is maintained through monthly monitoring at the Head of Service level, with regular reporting to the Policy and Resources Committee and Strategic Management Team. The final outturn report presented in June 2025 includes detailed variance analysis, use of reserves, and capital slippage, with narrative explanations and corrective actions where needed. Significant issues such as capital slippage, reserve usage, and external funding changes were escalated to the Policy & Resources Committee and discussed in committee meetings. These were also reflected in the Statement of Accounts. Adjustments such as the use of reserves and capital reprofiling were documented and approved through committee processes. Statutory financial reporting is supported by the Audit Committee's review of the Statement of Accounts and compliance with CIPFA Treasury Management Code requirements, including annual and quarterly treasury reports. The capital slippage and reserves reliance issues were discussed with the Head of Finance and measures were stated in place to manage these issues i.e. The Council only have about £10m worth of borrowing. The Council are focussed on temporary accommodation, buying properties, but funding it from savings elsewhere. While financial reporting is comprehensive, there are some limitations: scenario-based forecasting and integration of non-financial performance data (e.g., workforce or service metrics) are absent. However, governance structures, including the constitution and Medium-Term Financial Strategy, clearly define roles, responsibilities, and escalation procedures, ensuring accountability and alignment with strategic priorities.	G

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

Governance (continued)

Area for Improvement identified: identifying and delivering recurrent savings

Key Finding: A previous recommendation to map risks to strategic objectives remains outstanding, and we continue to advise its implementation to improve Member oversight. However, there is no evidence of this recommendation being addressed.

Evidence: The March 2025 Corporate Risk Register was reviewed and while very detailed, it is still missing a section which links the risks to the council's strategic objectives.

Impact: Without mapping, elected members may not fully understand which strategic priorities are most vulnerable to risk. The risk mitigation efforts may also not be optimally aligned with the Council's long-term goals.

Improvement Recommendation 2

IR2: We recommend that the council maps the risks identified in the Corporate Risk Register (CRR) to the strategic objectives outlined in the corporate plan. This will ensure that members have full visibility of which corporate priorities would be impacted if a risk materialises, enhancing the alignment of risk management with strategic goals.

Grant Thornton insight

Mapping risks to strategic objectives

The Orange Book and LGA guidance stress that risk management should be embedded in strategic planning and governance. This is also an example of best practice in Local Government as the Improvement and Assurance Framework encourages councils to link risk to performance and strategic objectives to ensure accountability and transparency.

Mapping risks to strategic objectives helps SMT and Members make better-informed decisions about resource allocation and policy priorities. It also reassures residents and stakeholders that the Council is managing threats to public services effectively.

Grant Thornton insights – learning from others

The Council has the arrangements we would expect to see in respect of regular budget monitoring, but could challenge itself to go further, based on the best arrangements we see across the sector

What the Council is already doing

- The Council regularly reports in detail regarding performance and forecast against budget including detailed variance analysis on where there are underspends or overspends
- The annual budget includes a review of financial risk which needs to be considered when setting the budget

What others do well

- Activity around the integration of non-financial performance data such as integrating workforce metrics, service quality indicators, or outcomes (e.g., homelessness rates, planning application turnaround).
- Forecasts include multi-scenario financial modelling (e.g., best/worst case budget outcomes or service demand shocks). They also include forward-looking risk scenarios (e.g., inflation, demand, policy changes)

The Council could consider

- Including in the regular finance reporting additional detail and information with regard to key drivers behind variances to budget for example information on changes in demand and activity, changes in workforce FTE driving variances.
- A regular in-year reporting of financial risk and opportunities to the forecast position which will give decision makers better information when understanding the financial position of the Council.

Improving economy, efficiency and effectiveness – commentary on arrangements (1)

We considered how the Council:	Commentary on arrangements	Rating
uses financial and performance information to assess performance to identify areas for improvement	The Council does not currently use a fully integrated performance report combining financial and non-financial data. Instead, separate reports are presented to the same committees (e.g., Policy & Resources Committee), such as the Annual Waste Collection and Street Cleansing Performance Report (July 2025) and the Financial Management Outturn Report (June 2025). While these are aligned in timing and structure, they are not consolidated. The Council has a Data Quality Standard policy that outlines its approach to ensuring reliable and accurate data across all services and reporting functions. Internal audit findings indicate it is outdated and lacks sufficient detail, with discrepancies in reported data, this is being reviewed in light of internal audit findings. Benchmarking is limited, though the Council participated in a Local Government Association (LGA) Corporate Peer Challenge in 2023, it remains relevant in 2024/25 as the Council is still positively addressing areas of improvement. The March 2025 Corporate Peer Challenge Action Plan update report was submitted to the Policy and Resources Committee. The Council adheres to good practice by reviewing the Corporate Peer Challenge Action Plan each year to monitor the progress on actions, noting which items are completed, on target for completion or are at risk on non-completion.	G
evaluates the services it provides to assess performance and identify areas for improvement	The Council has not been subject to any statutory interventions, inspections, or exceptional financial support in 2024-25. The most recent external evaluation was the LGA Corporate Peer Challenge in March 2023, which highlighted strengths in governance and service delivery but identified areas for improvement, including legacy project management, strategic clarity, and internal communications. In response, the Council published an Action Plan in October 2023, including the development of a new Corporate Plan (2023–2027), improved performance reporting, and enhanced internal engagement. However, there is evidence that progress reports are regularly received by the Policy & Resources Committee, such as the March 25 Community Development Strategy.	G

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

Improving economy, efficiency and effectiveness – commentary on arrangements (2)

We considered how the Council:	Commentary on arrangements	Rating
ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives	The Council does not maintain a formal partnership register, but key partners such as Kent County Council, NHS bodies, VCES organisations, and local businesses are stated in strategic documents like the Empowering You in Swale Strategy (2024–2027) and the Corporate Plan (2023–2027). These strategies were developed through public consultations and stakeholder engagement. Partnership projects are monitored collaboratively, focusing on data-led interventions and feedback loops. However, there is no formal publication of partner business plans or consistent evidence that any committee receives direct performance reports on partnerships. Though informal insights tend to be shared by internal audit, particularly where shared service best practices are identified. However, it would be an example of good practice to at least document these insights. There are mechanisms for stakeholder engagement and partnership evaluation, though there is a lack of formal reporting and oversight, considering the size of the Council and the scale of partnerships they are involved with, it is unlikely that this absence would lead to material issues or signs of weakness.	G
commissions or procures services, assessing whether it is realising the expected benefits	The Council maintains a publicly available Contracts Register and Forward Plan, updated quarterly, which supports transparency in commissioning and procurement. The Council applies a risk-based audit framework to assess contract oversight needs and has demonstrated robust contract management particularly with the Suez Waste Collection contract through scrutiny groups, stakeholder engagement, and operational reviews, with oversight and reports by the Environmental Services and Climate Change Committee. The Council's 2024 Commissioning and Procurement Policy emphasizes value for money, social value, and collaborative procurement. Budget monitoring is structured and includes variance analysis, capital tracking, and external audit input.	G

G No significant weaknesses or improvement recommendations.

A No significant weaknesses, improvement recommendations made.

R Significant weaknesses in arrangements identified and key recommendation(s) made.

05 Summary of value for money recommendations raised in 2024-25

Improvement recommendation raised in 2024-25

	Recommendation	Relates to	Management actions
IR1	The Council should act promptly to develop a long-term savings programme and associated governance arrangements that address the forecast deficits included in its MTFS. As part of this there should be strong governance arrangements to ensure savings are tracked and reported on regularly, and to ensure there is transparency with Members and senior management on progress against targets.	Financial Sustainability (page 19)	Actions: Responsible Officer: Due date:
IR2	We recommend that the council maps the risks identified in the Corporate Risk Register (CRR) to the strategic objectives outlined in the corporate plan. This will ensure that members have full visibility of which corporate priorities would be impacted if a risk materialises, enhancing the alignment of risk management with strategic goals.	Governance (page 25)	Actions: Responsible Officer: Due date:

06 Appendices

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Appendix A: Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement.

The Council's S151 Officer is responsible for preparing the financial statements and for being satisfied that they give a true and fair view, and for such internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The S151 Officer is required to comply with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom. In preparing the financial statements, the S151 Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

The Council is responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Appendix B: Value for Money Auditor responsibilities

Our work is risk-based and focused on providing a commentary assessment of the Council's value for money arrangements.

Phase 1 – Planning and initial risk assessment

As part of our planning, we assess our knowledge of the Council's arrangements and whether we consider there are any indications of risks of significant weakness. This is done against each of the reporting criteria and continues throughout the reporting period.

Phase 2 – Additional risk-based procedures and evaluation

Where we identify risks of significant weakness in arrangements, we undertake further work to understand whether there are significant weaknesses. We use auditor's professional judgement in assessing whether there is a significant weakness in arrangements and ensure that we consider any further guidance issued by the NAO.

Phase 3 – Reporting our commentary and recommendations

The Code requires us to provide a commentary on your arrangements which is detailed within this report. Where we identify weaknesses in arrangements we raise recommendations.

A range of different recommendations can be raised by the Council's auditors as follows:

Statutory recommendations – recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014.

Key recommendations – the actions which should be taken by the Council where significant weaknesses are identified within arrangements.

Improvement recommendations – actions which are not a result of us identifying significant weaknesses in the Council's arrangements, but which if not addressed could increase the risk of a significant weakness in the future.

Information that informs our ongoing risk assessment

Cumulative knowledge of arrangements from the prior year	Key performance and risk management information reported to the Executive or full Council
Interviews and discussions with key stakeholders	External review such as by the LGA, CIPFA, or Local Government Ombudsman
Progress with implementing recommendations	Regulatory inspections such as from Ofsted and CQC
Findings from our opinion audit	Annual Governance Statement including the Head of Internal Audit annual opinion

Appendix C: Follow up of 2023-24 improvement recommendations (1)

	Prior recommendation	Raised	Progress	Current position	Further action
R1	The Council should develop savings and income generation plans that will address the significant funding gap expected from 2026-27. As part of this process the Council should introduce: - monitoring arrangements so that the progress of individual savings plans can be monitored by Members throughout the year; and - Consultation with residents and businesses on suggested savings plans.	2023-24	Savings are itemised in the Council's budget and progress with delivery is monitored as part of quarterly financial performance monitoring, in which the Director of Finance, Resources and Business Improvement meets with each Head of Service and follows up on any slippage on plans. Consultation with residents and businesses takes place as part of the annual budget process.	The Council does not have a formal Savings programme in place.	We have included 2024-25 improvement recommendation to address (see page 19)

Appendix C: Follow up of 2023-24 improvement recommendations (2)

	Prior recommendation	Raised	Progress	Current position	Further action
IR2	The council should map the risks identified in the Corporate Risk Register (CRR) to the strategic objectives outlined in the Corporate Plan. This will ensure Members have full visibility of which corporate priorities would be impacted if a risk materialises, enhancing alignment of risk management with strategic goals.	2023-24	No changes have been made to the corporate risk register	This improvement recommendation is still outstanding	We have included 2024-25 improvement recommendation to address (see page 25)

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Appendix C: Follow up of 2023-24 improvement recommendations (2)

	Prior recommendation	Raised	Progress	Current position	Further action
R3	The Council should continue to prioritise and direct efforts towards improving Member-to-Officer relationships, ensuring that the tone of communication, collaboration, and mutual understanding between elected members and staff is consistently professional and constructive. This includes maintaining focus on the ongoing work with the external consultant to address the concerns raised, particularly regarding the behaviours of a small number of Members, and fostering a more respectful and cooperative organizational culture	2023-24	A member-officer protocol was formally introduced from April 2024, although due to minor amendments the protocol in practice was in operation from January 2025. Further, Standards Committee reviewed and discussed the protocol in September 2025 Officer have reported an improved relationship and understanding between Members and Officers	Action implemented	No

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