

**Rochester Bridge, Rochester**

# Statement of Accounts

# Medway Council | 2020/21



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# Note 38. Cash Flow Statement – Operating Activities



# E6. Notes Supporting the Cash Flow Statement



**Rochester Bridge,  
Rochester**

The cash flows for operating activities include the following items:

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

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

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

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

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

# Note 39. Cash Flow Statement – Investing Activities

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

# Note 40. Cash Flow Statement – Financing Activities

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

# Note 41. Record of Liabilities from Financing Activities

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Restated** | **01 April 2019** | **Financing cash flows** | **Non-cash changes Acquisition** | **Other non-cash changes** | **31 March 2020** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Long-term borrowings | 211,861 | 50,811 | 0 | 0 | 262,672 |
| Short-term borrowings | 41,656 | (5,407) | 0 | 0 | 36,249 |
| ● Lease liabilities | 63 | 0 | 0 | (34) | 29 |
| **Total liabilities from financing activities** | **253,580** | **45,404** | **0** | **(34)** | **298,951** |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **01 April 2020** | **Financing cash flows** | **Non-cash changes Acquisition** | **Other non-cash changes** | **31 March 2021** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Long-term borrowings | 262,672 | (25,640) | 0 | 0 | 237,032 |
| Short-term borrowings | 36,249 | 10,334 | 0 | 0 | 46,583 |
| ● Lease liabilities | 29 | 0 | 0 | 253 | 282 |
| **Total liabilities from financing activities** | **298,950** | **(15,306)** | **0** | **253** | **283,897** |



# E7. Other Notes



**Rochester Castle,  
Rochester**

# Note 42. Related Parties

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

## Central Government

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

## Members

Members of the Council have direct control over the Council’s financial and operating policies. The total of members’ allowances paid in 2019/20 is shown in "Note 13".

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

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

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

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

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

A family member of a Councillor runs a business with which the Council had transactions of £0.070m in 2019/20 (£0.057m in 2019/20) of which Nil outstanding at the 31st March 2021 (£0.006m 2019/20.)

A Councillor owns properties that are rented out. During 2019/20 the Councillor received £0.007m in payments from the Council for people occupying these properties (0.001m 19/20). There were no outstanding payments at either year end.

**Related Parties which had no transactions with Medway Council during 2019/20**

One Councillor is Chair of Safer Kent an organisation which advances the education for the public benefit in all matters relating to crime prevention, community safety, alcohol, drug and other solvent abuse or any matter affecting crime in the community.

Seven Councillors are Trustees of Chatham Charities, a charity whose aim is to relieve poverty within the Borough of Chatham through the awarding of grants.

One Councillor is a Trustee of the Net Community Hub a social prescribing platform funded and delivered by Medway Community Action and Medway Council.

The Leader of the Council runs his own consultancy business. There were no transactions between this business and the Council in either 2019/20 or 2019/20.

A Councillor is the Chair of the Medway Volunteer Centre a registered charity which recruits volunteers on behalf of charitable, voluntary and statutory bodies who have requested assistance to find volunteers.

# Note 42. Related Parties (continued)

## Officers

The Chief Executive is a Council member of The University of Kent Governing Body. No transactions were made by the University to the Council in 2019/20 (£0.024m in 2019/20) with nil outstanding at 31 March 2021 (£0.013m 2019/20). Payments to the University from the Council totalled £0.255m in 2019/20 (£0.031m in 2019/20). At 31 March 2021 the University was owed nothing by the Council (31 March 2020 nil).

The Chief Executive is also a Governor of Mid Kent College. There were payments of £0.251m in 2019/20 made to Mid Kent College (£0.231m in 2019/20). Mid Kent College made no payments to the Council in 2019/20 (£0.003m in 2019/20) of which nil was outstanding at 31 March 2021 (£0.003m as at 31 March 2020).

## Other Public Bodies

The Authority operates a number of joint funding initiatives with Medway Clinical Commissioning Group as detailed in "Note 12".

The Authority receives grant income from various government departments as detailed in "Note 17".

## Entities controlled or significantly influenced by the Authority

The Council has a 20% equity share in the Medway Norse Ltd, a joint venture with Norse Commercial Services Ltd.  The company provides catering, cleaning and facilities management services, grounds and greenspaces management and waste management services, and also manages the three household waste recycling centres.  From October 2019 the company has provided waste collection and street cleansing activities.  The company’s accounts are consolidated into the statements of Norse Commercial Services Limited, which is consolidated into the statements of Norfolk County Council.

The Council also has a 20% equity share in Medway Norse Transport Ltd, a joint venture with Norse Commercial Services Ltd. The company provides Special Educational Needs Transport services, community transport and vehicle maintenance services to the Authority. The company’s accounts are consolidated into the statements of Norse Commercial Services Limited, which is consolidated into the statements of Norfolk County Council.

Services supplied to the Medway Council through the Medway Norse Ltd and Medway Norse Transport Ltd companies are included in the Medway Council’s cost of services within the statements.

Medway Council appoints 2 directors to the Boards of Medway Norse Ltd and Medway Norse Transport Ltd. The Council made payments of £25.409m to Medway Norse/Medway Norse Transport in 2019/20 (£20.553m 2019/20) and owed them £0.071m as at 31 March 2021 (£3.877m as at 31 March 2020). The total value of transactions to the Council from these companies was £0.468m in 2019/20 (£0.335m in 2019/20) and owed £0.374m as at 31 March 2021 (31 March 2020: £0.009m).

Medway Council currently has two subsidiary companies; Kyndi Limited (formerly Medway Commercial Group Limited - MCG) and Medway Development Company Limited (MDC). As at 31 March 2021, two of the four Directors on the Board of Kyndi Limited were appointed by Medway Council; both elected Cabinet Members. As at the same date, two of the four Directors on the Board of MDC were elected Cabinet Members of Medway Council.

Kyndi Limited has two subsidiary companies; Kyndi Care Limited (formerly Medway Commercial Services – MCS) established to trade with the private sector and Medway Public Services (MPS) to trade with the public sector.

The group provides: CCTV; Telecare; Out of Hours and lone worker solutions; Education Traded Services with schools including cleaning and catering, energy and ICT services and Recruitment Services to provide temporary, contract and interim staffing for Medway Council. The balance on loans given to Kyndi as at 31 March 2021 amount to £2.612m (£0.350m in 2019/20).

The Council made payments of £13.848m to Kyndi in 2019/20 (£10.520m in 2019/20) with nothing owing as at 31 March 2021 (£0.516m as at 31 March 2020). The total value of transactions to the Council from MCG was £0.688m in 2019/20 (£0.925m in 2019/20) and they owed £0.122m as at 31 March 2021 (£4.115m as at 31 March 2020).

MDC was established to provide consultancy, predominantly to the Council, to turn land assets into viable residential schemes delivering regeneration and investment returns. The Council has agreed £120million of investment over the first five years of the company with fourteen sites identified. The balance on loans given to MDC as at 31 March 2021 amount to £13.016m (£0.027m in 2019/20).

The Council made payments (excluding loans) of £0.576m to MDC in 2019/20 (£0.193m in 2019/20). MDC made purchases from the Council of £0.329m during 2019/20 (£0.035m in 2019/20) of which nothing was owing as at 31 March 202 (£0.031m as at 31 March 2020).

# Note 43. Contingent Liabilities

## Accounting Policy - Contingent Liabilities

A contingent liability arises where an event has taken place that gives the Authority a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Authority. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

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

There are several outstanding employment claims – one by an individual where they are seeking £175,000 and 50 claims relating to back pay in respect of term time employment contracts which if successful could cost the Council a significant sum of money.

The claim against the Council by Gillingham Football Club is ongoing although the sums being sought by them have reduced to £176,000. Application for costs in COP against Medway Council for £22,000.

Medway Council was successful in acquiring provisional approval for four new free schools including the Maritime Academy operated by The Thinking Schools Academy Trust (TSAT). The DFE fund the land purchase as well as the capital investment in the school for new free schools. A suitable site was identified and a purchase price negotiated, however the site title has an 'overage' provision which would be triggered by an onward sale of the land for residential use at any point until 2043 when the condition falls away. Upon the transfer of the land for residential purposes during that time the overage is triggered with the sum payable equal to 10% of the intended unit sales.

In March 2019 the Cabinet approved the underwriting of the overage held against the land to enable the purchase, and the delivery of the free school to go ahead. As such, should the land be sold for residential purposes by the DFE up until 2033, the local authority would be liable to cover the overage determined by land values at that time. This level of liability could increase or reduce dependent upon the land values at the time. However, this is a very small risk as the school is required to meet known and expected future demand beyond 2033. The new school will enjoy a 125 year lease on the land, showing the commitment of the DFE to the school, and it is not the intention of the Secretary of State to dispose of the property, especially within the next 14 years.

# Note 44. Contingent Assets

Medway Council are pursuing a claim for costs in the sum of £20,363 against another Local Authority.

## Accounting Policy - Contingent Assets

A contingent asset arises where an event has taken place that gives the authority a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the authority.

Contingent assets are not recognised in the balance sheet but disclosed in a note to the accounts where it is probable that there will be an inflow of economic benefits or service potential.

# Note 45. Events after the Reporting Period

## Accounting Policy - Events after the Reporting Period

Events after the Reporting Period are those events, both favourable and unfavourable, that occur between the end of the reporting period and the date when the Statement of Accounts is authorised for issue. Two types of events can be identified:

* those that provide evidence of conditions that existed at the end of the reporting period – the Statement of Accounts is adjusted to reflect such events.
* those that are indicative of conditions that arose after the reporting period – the Statement of Accounts are not adjusted to reflect such events, but where a category of events would have a material effect, disclosure is made in the notes of the nature of the events and their estimated financial effect.

Events taking place after the date of authorisation for issue are not reflected in the Statement of Accounts.

RAAC is a lightweight form of precast concrete, that was used in public sector buildings across the UK in the second half of the twentieth century. It is less durable than traditional concrete and recent incidents in schools in other authorities across the UK have highlighted the potential risk from failing RAAC. The Council is currently working to establish if RAAC is present in any of its buildings. Although no instances of the use of RAAC have yet been identified within Council buildings, were it to be discovered then the cost of the necessary remedial work is likely to be significant.

# Note 46. Prior Period Adjustments

## Accounting Policy - Prior Period Adjustments, Changes in Accounting Policy and Estimates and Errors

Prior period adjustments may arise as a result of a change in accounting policies or to correct a material error. Changes in accounting estimates will be accounted for prospectively, i.e. in the current and future years affected by the change and do not give rise to a prior period adjustment.

Changes in accounting policies are only made when required by proper accounting practices or the change provides more reliable or relevant information about the effect of transactions, other events and conditions on the Authority’s financial position or financial performance. Where a change is made, it is applied retrospectively (unless otherwise stated) by adjusting opening balances and comparative amounts for the prior year period as if the new policy had always been applied.

Material errors discovered in prior year periods are corrected retrospectively by amending opening balances and comparative amounts for the prior period.

There are no prior period adjustments affecting the period ending 31 March 2021.



# F. Supplementary Financial Statements



**Eastgate House,  
Rochester**

# Housing Revenue Account

The Housing Revenue Account (HRA) is a record of revenue expenditure and income relating to the Authority’s housing stock. Its primary purpose is to ensure that expenditure on managing tenancies and maintaining dwellings is balanced by rents charged to tenants. Consequently, the HRA is a statutory account, ring fenced from the rest of the General Fund, so that rents cannot be subsidised from council tax (or vice versa).

Paralleling the treatment for the Authority’s wider operations, the transactions relating to the HRA have been separated into two statements:

* the HRA Income and Expenditure Statement
* the Movement on the HRA Statement

As the Movement on the HRA Statement incorporates the surplus or deficit on the HRA Income and Expenditure Statement, it effectively meets the statutory requirement to include the HRA as a single statement in the Statement of Accounts. The net movement will reconcile to the statutory outturn for the HRA, even though some of the gross transactions posted to the two statements will not have been specified in the statutory arrangements.

# Income and Expenditure Statement

This statement analyses in more detail the income and expenditure on HRA services included in the whole Authority Surplus or Deficit on the Provision of Services. This Income and Expenditure Statement shows the economic cost in the year of providing housing services in accordance with generally accepted accounting practices, rather than the amount to be funded from rents and government grants.

The Authority charges rents to cover expenditure in accordance with regulations; this may be different from the accounting cost. The increase or decrease in the year, on the basis on which rents are raised, is shown in the Movement on the Housing Revenue Account Statement.

|  |  |  |  |
| --- | --- | --- | --- |
| **2019/20** |  | **HRA  Notes** | **2019/20** |
| **£'000** |  |  | **£'000** |
|  | **Expenditure** |  |  |
| 2,892 | Repairs & maintenance |  | 3,077 |
| 3,403 | Supervision and management |  | 3,741 |
| 167 | Rents, rates, taxes and other charges |  | 158 |
| 10,066 | Depreciation, impairment and revaluation movements of non-current assets | 3 | 13,724 |
| 73 | Revenue Expenditure Funded from Capital Under Statute | 4 | 45 |
| 63 | Debt management costs |  | 63 |
| 88 | Movement in the allowance for bad debts | 6 | 36 |
| **16,752** | **Total Expenditure** |  | **20,844** |
|  | **Income** |  |  |
| (12,775) | Dwelling rents |  | (12,673) |
| (215) | Non-dwelling rents |  | (223) |
| (1,248) | Charges for services and facilities |  | (1,084) |
| (29) | Contributions towards expenditure |  | (33) |
| (72) | Reimbursement of Costs |  | (1) |
| **(14,339)** | **Total Income** |  | **(14,014)** |
|  |  |  |  |
| **2,413** | **Net Cost of Housing Revenue Account Services as included in the whole authority Comprehensive Income and Expenditure Statement** |  | **6,830** |
| 99 | HRA services share of Corporate and Democratic Core |  | 99 |
| **2,512** | **Net Expenditure/(Income) for Housing Revenue Account Services** |  | **6,929** |
|  | **HRA share of the operating income and expenditure included in the Comprehensive Income and Expenditure Statement:** |  |  |
| (745) | (Gain) or loss on sale of HRA non-current assets |  | (153) |
| 2,063 | Interest payable and similar charges |  | 2,064 |
| (68) | Interest and investment income |  | (62) |
| 159 | Net interest on the net defined benefit liability (asset) |  | 105 |
| **3,921** | **Deficit/(Surplus) for the year on Housing Revenue Account Services** |  | **8,883** |

# Movement on the Housing Revenue Account Statement

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

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£'000** |  | **£'000** |
| **(5,114)** | **Balance on the HRA at the end of the previous reporting period** | **(5,145)** |
| 3,921 | (Surplus) or deficit for the year on the HRA Income and Expenditure Statement | 8,883 |
|  | Adjustment to HRA Income and Expenditure Statement Relating to Recharge Adjustments | 109 |
| (4,508) | Adjustments between accounting basis and funding basis under statute (HRA Note 1) | (7,947) |
| **(587)** | **Net (increase) or decrease before transfers to or from reserves** | **1,045** |
| (220) | Transfers to or (from) Earmarked HRA reserves | (1,410) |
| 0 | Transfers to or (from) GF reserves | 115 |
| **(807)** | **(Increase) or decrease in year on the HRA** | **(250)** |
| 627 | Contribution towards Capital from Reserves |  |
| **(5,294)** | **Balance on the HRA at the end of the current reporting period** | **(5,395)** |

# HRA Note 1. Adjustments between Accounting Basis and Funding Basis under Statute

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£'000** |  | **£'000** |
|  | **ADJUSTMENTS PRIMARILY AFFECTING THE CAPITAL ADJUSTMENT ACCOUNT:** |  |
| (3,724) | Charges for depreciation and impairment of non-current assets | (3,698) |
| (6,342) | Revaluation movements on Property, Plant and Equipment | (10,026) |
| (73) | Revenue Expenditure Funded from Capital Under Statue | (45) |
| (1,040) | Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | (218) |
|  | **INSERTION OF ITEMS NOT DEBITED OR CREDITED TO THE COMPREHENSIVE INCOME AND EXPENDITURE STATEMENT:** |  |
| 1,493 | Capital Expenditure charged Against HRA Balances | 2,400 |
|  | **ADJUSTMENTS PRIMARILY INVOLVING THE CAPITAL RECEIPTS RESERVE:** |  |
| 1,785 | Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income and Expenditure Statement | 371 |
|  | **ADJUSTMENTS PRIMARILY INVOLVING THE MAJOR REPAIRS RESERVE:** |  |
| 3,724 | Transfer from HRA to the Major Repairs Reserve | 3,698 |
|  | **ADJUSTMENTS PRIMARILY INVOLVING THE FINANCIAL INSTRUMENTS ADJUSTMENT ACCOUNT:** |  |
| 0 | Amount by which finance costs charged to the Comprehensive Income and Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements | 0 |
|  | **ADJUSTMENTS PRIMARLY INVOLVING THE PENSIONS RESERVE:** |  |
| (521) | Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income and Expenditure Statement | (621) |
| 190 | Employer’s pension contributions and direct payments to pensioners payable in the year | 196 |
|  | **ADJUSTMENTS PRIMARILY INVOLVING THE ACCUMULATED ABSENCES ACCOUNT:** |  |
| 0 | Amount by which officer remuneration charged to the Comprehensive Income and Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements | (5) |
| **(4,508)** | **TOTAL ADJUSTMENTS** | **(7,947)** |

# HRA Note 2. Stock

## Rentable Dwelling Stock

The Council managed 3,005 rentable dwellings as at 31 March 2021. The movement in stock is analysed as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Stock Type** | **1 April 2020** | **Adjustments** | **Additions** | **Disposals** | **31 March 2021** |
| Houses | 1,249 | 0 | 0 | (2) | 1,247 |
| Flats | 1,241 | (1) | 18 | (2) | 1,256 |
| Maisonettes | 213 | 0 | 0 | 0 | 213 |
| Bungalows | 289 | 0 | 0 | 0 | 289 |
| **Total** | **2,992** | **(1)** | **18** | **(4)** | **3,005** |

## Non-Rentable Dwelling Stock

The Council own one non-rentable dwelling as at 31 March 2021.

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Stock Type** | **1 April 2020** | **Adjustments** | **Additions** | **Disposals** | **31 March 2021** |
| Flats | 1 | (1) | 0 | 0 | 0 |
| **Total** | **1** | **(1)** | **0** | **0** | **0** |

## Non-Dwelling Stock

The Council owned 881 non dwellings as at 31 March 2021. The movement in stock is analysed as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Stock Type** | **1 April 2020** | **Adjustments** | **Additions** | **Disposals** | **31 March 2021** |
| Garages | 381 | 0 | 1 | 0 | 382 |
| Garages with water | 185 | 0 | 3 | 0 | 188 |
| Carports | 78 | 0 | 0 | 0 | 78 |
| Car spaces | 194 | 0 | 13 | 0 | 207 |
| Underground car spaces | 26 | 0 | 0 | 0 | 26 |
| **Total** | **864** | **0** | **17** | **0** | **881** |

# HRA Note 3. Non-Current Assets

In accordance with Government guidelines, dwellings have been valued at their ‘existing use with vacant possession’ based on beacon values and then reduced to reflect ‘existing use for social housing’. This value is included within the Balance Sheet. The vacant possession value at 1 April 2020 was £489.09m. The 'discounted' existing use value reflects the economic cost to government of providing council housing at less than market rents.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Movements on Balances 2019/20** | **Dwellings** | **Other Land and Buildings** | **Assets Under Construction** | **Total** |
|  | **£’000** | **£’000** | **£’000** | **£’000** |
| Cost or valuation 1 April 2020 | 161,402 | 3,931 | 236 | 165,569 |
| Additions | 7,230 | 13 | 319 | 7,562 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 711 | 281 | 0 | 992 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (12,938) | (207) | 0 | (13,145) |
| Derecognition – disposals | (222) | 0 | 0 | (222) |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 |
| **Cost or valuation as at 31 March 2021** | **156,182** | **4,019** | **555** | **160,755** |
| Depreciation as at 1 April 2020 | 0 | 0 | 0 | 0 |
| Depreciation charge | (3,423) | (275) | 0 | (3,698) |
| Depreciation written out to the Revaluation Reserve | 310 | 262 | 0 | 571 |
| Depreciation written out to the Surplus//Deficit on the Provision of Services | 3,108 | 11 | 0 | 3,119 |
| Derecognition – disposals | 5 | 0 | 0 | 5 |
| **Depreciation as at 31 March 2021** | **0** | **(3)** | **0** | **(3)** |
| **Net Book Value** |  |  |  |  |
| As at 31 March 2020 | 161,402 | 3,931 | 236 | 165,569 |
| As at 31 March 2021 | 156,182 | 4,016 | 555 | 160,753 |

# HRA Note 3. Non-Current Assets (continued)

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Movements on Balances 2019/20** | **Dwellings** | **Other Land and Buildings** | **Assets Under Construction** | **Total** |
|  | **£’000** | **£’000** | **£’000** | **£’000** |
| Cost or Valuation 1 April 2019 | 167,074 | 3,934 | 169 | 171,176 |
| Assets Under Construction brought into use | 1,000 | 0 | (1,000) | 0 |
| Additions | 4,446 | 17 | 1,067 | 5,529 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (713) | (15) | 0 | (728) |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (9,343) | (1) | 0 | (9,344) |
| Derecognition – disposals | (1,061) | 0 | 0 | (1,061) |
| Other movements in cost or valuation | 0 | (2) | 0 | (2) |
| **Cost or valuation as at 31 March 2020** | **161,402** | **3,931** | **236** | **165,570** |
| Depreciation as at 1 April 2019 | 0 | (3) | 0 | (3) |
| Depreciation charge | (3,449) | (275) | 0 | (3,724) |
| Depreciation written out to the Revaluation Reserve | 437 | 263 | 0 | 700 |
| Depreciation written out to the Surplus//Deficit on the Provision of Services | 2,991 | 11 | 0 | 3,002 |
| Derecognition – disposals | 21 | 0 | 0 | 21 |
| Other movements in depreciation and impairment | 0 | 0 | 0 | 0 |
| **Depreciation as at 31 March 2020** | **0** | **0** | **0** | **4** |
|  |  |  |  |  |
| **Net Book Value** |  |  |  |  |
| As at 31 March 2019 | 167,074 | 3,931 | 169 | 171,173 |
| As at 31 March 2020 | 161,402 | 3,931 | 236 | 165,570 |

# HRA Note 4. Analysis of Capital Expenditure and Funding

|  |  |  |
| --- | --- | --- |
|  | **2019/20** | **2019/20** |
|  | **£’000** | **£’000** |
| **Capital Expenditure** |  |  |
| Dwellings | 5,280 | 7,244 |
| Other Land and Buildings | 12 | (1) |
| Assets under Construction | 236 | 319 |
| Revenue Expenditure Funded from Capital under Statute | 73 | 45 |
| **Total** | **5,602** | **7,607** |
| **Funded by:** |  |  |
| Major Repairs Reserve | 3,824 | 3,698 |
| Transfer from 1-4-1 Capital Receipts Reserves | 244 | 1,182 |
| Prudential Borrowing for New House Build Programme | 0 | 327 |
| Buy Back Allowance | 41 | 0 |
| Revenue contributions from the HRA | 1,493 | 2,400 |
| **Total Funding** | **5,602** | **7,607** |

The Revenue Expenditure Funded from Capital under Statute relates to:

|  |  |  |
| --- | --- | --- |
|  | **2019/20** | **2019/20** |
|  | **£’000** | **£’000** |
| **Expenditure type:** |  |  |
| Non HRA Properties/Leaseholders Expenditure | 73 | 45 |
| **Total** | **73** | **45** |

# HRA Note 5. Summary of Capital Receipts

|  |  |  |
| --- | --- | --- |
|  | **2019/20** | **2019/20** |
|  | **£’000** | **£’000** |
| Receipts from the sale of land | (12) | 0 |
| Receipts from disposals of houses through the Right To Buy scheme | (1,835) | (386) |
| **Total Capital Receipts** | **(1,847)** | **(386)** |

# HRA Note 6. Tenants Arrears

Tenants’ Arrears at 1 April 2021 (27 March 2020 for 2019/20) were analysed as follows:

|  |  |  |
| --- | --- | --- |
| **Type of Debt** | **2019/20** | **2019/20** |
|  | **£'000** | **£'000** |
| General Stock | 184 | 166 |
| Garages | 1 | 0 |
| Former Tenancies – General Stock | 232 | 177 |
| Court Costs – General Stock | 48 | 36 |
| Former Tenancy Arrears of Current Tenants – General | 33 | 30 |
| Rechargeable Repairs | 53 | 47 |
| Total Arrears | 551 | 456 |
|  |  |  |
| **Percentage of Gross Rents (HRA)** | **4.09%** | **3.24%** |

The following provision has been made against possible non-collection of Housing Revenue Account debt:

|  |  |  |
| --- | --- | --- |
|  | **2019/20** | **2019/20** |
|  | **£'000** | **£'000** |
| **Opening Balance** | **473** | **447** |
| Additional Provision made during year | 88 | 36 |
| Add Credit write-offs | 4 | 10 |
| Less amounts written off | (118) | (131) |
| **Closing Balance** | **447** | **362** |

# Collection Fund Statement

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

Collection Fund surpluses declared by the billing authority in relation to Council Tax are apportioned to the relevant precepting bodies in the subsequent financial year. Deficits likewise are proportionately charged to the relevant precepting bodies in the following year. For Medway, the Council Tax precepting bodies are The Police and Crime Commissioner for Kent and The Kent Fire and Rescue Service.

The scheme allows the Authority to retain a proportion of the total NDR received. The Medway share is 49% with the remainder paid to precepting bodies. For Medway precepting bodies this is Central Government 50%, Kent Fire and Rescue Service 1%.

NDR surpluses or deficits declared by the billing authority in relation to the Collection Fund are apportioned to the relevant precepting bodies in the subsequent financial year in their respective proportions.

# Collection Fund Statement

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Year Ended 31 March 2020**  **Business Rates** | **Year Ended 31 March 2020**  **Council Tax** | **Year Ended 31 March 2020**  **Total** |  | **Collection Fund Notes** | **Year Ended 31 March 2021**  **Business Rates** | **Year Ended 31 March 2021**  **Council Tax** | **Year Ended 31 March 2021**  **Total** |
| **£'000** | **£'000** | **£'000** |  |  | **£'000** | **£'000** | **£'000** |
|  |  |  | **Amounts required by statute to be credited to the Collection Fund** |  |  |  |  |
|  | (146,186) | (146,186) | Council Tax | [1](file:///C:/Users/johanna.fuller/AppData/Local/Microsoft/Windows/INetCache/Content.MSO/2B8EBEB7.xlsm#'Coll Fund Nt CF 1-Council Tax'!A1) |  | (153,819) | (153,819) |
| (95,621) |  | (95,621) | Non-Domestic Rates | [2](file:///C:/Users/johanna.fuller/AppData/Local/Microsoft/Windows/INetCache/Content.MSO/2B8EBEB7.xlsm#'Coll Fund Note CF 2-Inc-B Rates'!A1) | (58,911) |  | (58,911) |
| **(95,621)** | **(146,186)** | **(241,807)** | **Total Amount required by statute to be credited to the Collection Fund** |  | (58,911) | (153,819) | **(212,730)** |
|  |  |  | **Amounts required by statute to be debited to the Collection Fund** |  |  |  |  |
|  |  |  | Precepts and demands from major preceptors and the Authority |  |  |  |  |
| 44,015 | 120,130 | 164,145 | - Medway Council |  | 44,804 | 128,270 | 173,074 |
| 0 | 16,328 | 16,328 | - Police and Crime Commissioner for Kent (PCCK) |  | 0 | 17,633 | 17,633 |
| 898 | 6,573 | 7,471 | - Kent Fire and Rescue Service (KFRS) |  | 914 | 6,882 | 7,796 |
|  |  |  | Payment with respect to central share (including allowable deductions) of the non-domestic rating income to be paid to central government by billing authorities |  |  |  |  |
|  |  |  | Business rates: |  |  |  |  |
| 44,914 | 0 | 44,914 | - payment to Central Government |  | 45,719 | 0 | 45,719 |
| 267 | 0 | 267 | - costs of collection |  | 266 | 0 | 266 |
| 238 | 0 | 238 | renewable energy |  | 63 | 0 | 63 |
| 5,314 | 0 | 5,314 | - transitional protection |  | 1,837 | 0 | 1,837 |
|  |  |  | Impairment of debts/appeals | 3 |  |  |  |
| 0 | 25 | 25 | - write-offs of uncollectable amounts |  |  | 7,911 | 7,911 |
| 915 |  | 915 | - allowance for impairment |  | 1,943 |  | 1,943 |
| (1,260) | 0 | (1,260) | - increase/decrease in provision for appeals |  | (1,779) | 0 | (1,779) |
| (2,873) | 1,838 | (1,035) | Transfer of Collection Fund surplus/(deficit) |  | 2,573 | 3,868 | 6,441 |
| **92,428** | **144,894** | **237,322** | **Total Amount required by statute to be debited to the Collection Fund** |  | **96,340** | **164,564** | **260,904** |
| **3,949** | **(3,747)** | **202** | **Opening fund balance** |  | **756** | **(5,039)** | **(4,283)** |
| **756** | **(5,039)** | **(4,283)** | **Closing Fund Balance** |  | **38,185** | **5,706** | **43,891** |
| **(3,193)** | **(1,292)** | **(4,485)** | **Movement on fund balance** |  | **37,429** | **10,745** | **48,174** |
|  |  |  | **Allocation of Closing Deficit/(Surplus)** |  |  |  |  |
| 908 | (4,232) | (3,324) | Medway Council |  | 18,711 | 4,790 | 23,501 |
| 0 | (577) | (577) | Police and Crime Commissioner for Kent |  | 0 | 659 | 659 |
| 7 | (230) | (223) | Kent Fire and Rescue Service |  | 382 | 257 | 639 |
| (159) | 0 | (159) | Central Government |  | 19,092 | 0 | 19,092 |
| **756** | **(5,039)** | **(4,283)** |  |  | **38,185** | **5,706** | **43,891** |

# Collection Fund Note 1. Council Tax

Council Tax derives from charges raised according to the value of residential properties, which have been classified in 8 valuation bands (A-H) for this specific purpose. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by the Council and major preceptors for the forthcoming year and dividing this by the Council Tax base (i.e. the equivalent numbers of band D dwellings).

The Council Tax Base for 2019/20 was £86,796.90 (£84,533.23 in 2019/20). The tax base for 2019/20 was approved by the Portfolio Holder for Finance on 15 January 2020 and was calculated as follows:

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Band** | **Chargeable Dwellings** | **Ratio 9ths** | **Band D Equivalent Gross** | **Exemptions & Discounts** | **Band D Equivalent Net** |
| A | 11,376 | 6 | 7,584 | 507 | 7,077.33 |
| B | 38,343 | 7 | 29,822 | 1,924 | 27,898.58 |
| C | 34,099 | 8 | 30,310 | 2,105 | 28,205.72 |
| D | 17,768 | 9 | 17,768 | 1,126 | 16,642.22 |
| E | 9,286 | 11 | 11,350 | 735 | 10,615.03 |
| F | 3,995 | 13 | 5,771 | 268 | 5,502.57 |
| G | 1,428 | 15 | 2,380 | 81 | 2,298.93 |
| H | 65 | 18 | 130 | 44 | 85.93 |
| **Total** | **116,360** |  | **105,115** | **6,790** | **98,326.31** |
| Council Tax Support |  |  |  |  | (9,679.60) |
| Sub Total |  |  |  |  | 88,646.71 |
| Allowance for Non Collection (2.4%) |  |  |  |  | (2,127.51) |
| Sub Total |  |  |  |  | 86,519.20 |
| Crown Contribution |  |  |  |  | 277.70 |
| **Tax Base for the Calculation of Council Tax 2019/20** |  |  |  |  | **86,796.90** |
|  |  |  |  |  |  |
| **Tax Base for the Calculation of Council Tax 2019/20** |  |  |  |  | **84,533.23** |

# Collection Fund Note 2. Income from Business Rates

The Council collects Non-Domestic Rates for its area based on local rateable values provided by the Valuation Office Agency (VOA) multiplied by a uniform business rate set nationally by Central Government. The total amount due, less certain allowances, is shared between the Council, Central Government and Kent Fire and Rescue Service. In the case of Medway the local share is 49%, Central Government 50% and Kent Fire and Rescue service 1%.

The total income from business ratepayers collected in 2019/20 was £58.9m (£95.6m in 2019/20).

In addition to the local management of business rates, authorities are expected to finance appeals made in respect of rateable values as determined by VOA and hence business rates outstanding at 31 March 2021. Authorities are required to make provision for these amounts. Appeals are charges and provided for in proportion to the precepting shares. The reduction in provision credited to the collection fund for 2019/20 was £1.78m (£1.26m 2019/20).

For 2019/20 the total non-domestic rateable value at the year-end is £229.6m (£230.4m in 2019/20). The national multipliers for 2019/20 were 49.9p for qualifying Small Businesses, and the standard multiplier being 51.2p for all other businesses (49.1p and 50.4p respectively in 2019/20).

# Collection Fund Note 3. Impairment of Debts/Appeals

The Collection Fund account provides for bad debts on arrears of Council Tax on the basis of prior years' experience and current years collection rates.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2019/20**  **Collection Fund** | **2019/20**  **Medway Share** |  | **2020/21**  **Collection Fund** | **2020/21**  **Medway Share** |
| **£000s** | **£000s** |  | **£000s** | **£000s** |
| **3,211** | **2,697** | **Balance at 1 April** | **2,540** | **2,132** |
| (695) | (585) | Write-offs during year | (612) | (514) |
| 24 | 20 | Contributions to provisions during year | 7,911 | 6,632 |
| **(671)** | **(565)** | **Net Increase/(decrease) in Provisions** | **7,299** | **6,118** |
| **2,540** | **2,132** | **Balance at 31 March** | **9,839** | **8,250** |

The Collection Fund account also provides for bad debts on Non-domestic rates arrears.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2019/20**  **Collection Fund** | **2019/20**  **Medway Share** |  | **2020/21**  **Collection Fund** | **2020/21**  **Medway Share** |
| **£000s** | **£000s** |  | **£000s** | **£000s** |
| **2,418** | **2,394** | **Balance at 1 April** | **2,654** | **1,301** |
| **0** | **(1,199)** | Amendment due to Pooling | **0** | **0** |
| (679) | (342) | Write-offs during year | (720) | (353) |
| 915 | 448 | Contributions to provisions during year | 1,943 | 952 |
| **236** | **(1,093)** | **Net Increase/decrease in Provisions** | **1,223** | **599** |
| **2,654** | **1,301** | **Balance at 31 March** | **3,877** | **1,900** |

The Collection Fund account also provides for provision for appeals against the rateable valuation set by the Valuation Office Agency (VOA) not settled as at 31 March 2021. This is the eighth year of the provision.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **2019/20**  **Collection Fund** | **2019/20**  **Medway Share** |  | **2020/21**  **Collection Fund** | **2020/21**  **Medway Share** |
| **£000s** | **£000s** |  | **£000s** | **£000s** |
| **13,160** | **13,028** | **Balance at 1 April** | **11,900** | **5,831** |
| **0** | **(6,580)** | Amendment due to Pooling | **0** | **0** |
| 264 | 129 | Contributions to provisions during year | 3,651 | 1,789 |
| (1,524) | (746) | Provisions utilised during the year | (5,430) | (2,661) |
| **(1,260)** | **(7,197)** | **Net Increase/(decrease) in Provisions** | **(1,779)** | **(872)** |
| **11,900** | **5,831** | **Balance at 31 March** | **10,121** | **4,959** |



# G. Group Accounts



**St Mary’s Island**

# Introduction

The Code of Practice requires local authorities with interests in subsidiaries, associates and/or joint ventures to prepare group accounts in addition to their own single entity financial statements, unless their interest is not considered material.

The Council has interests in a number of companies that are classified as a subsidiary, associate or joint venture, all of which have been considered for consolidation.

The Group Accounts contain the core statements similar in presentation to the Council’s single entity accounts but consolidating the figures of the Council with Kyndi Ltd and Medway Development Company Ltd.

The following pages include:

* Group Comprehensive Income and Expenditure Statement
* Group Balance Sheet
* Group Movement in Reserves Statement
* Group Cash Flow Statement
* Notes to the Group Accounts

## Basis of Identification of the Group Boundary

Group accounts are prepared by aggregating the transactions and balances of the Council and all its material subsidiaries, associates and joint ventures.

In its preparation of these Group Accounts, the Council has considered its relationship with entities that fall into the following categories:

* Subsidiaries – where the Council exercises control and gains benefits or has exposures to risks arising from this control. These entities are included in the group.
* Jointly Controlled Entities – where the Council exercises joint control with one or more organisations. Where these are material they are included in the group and have been accounted for on an equity basis.
* No group relationship – where the body is not an entity in its own right or the Council has an insufficient interest in the entity to justify inclusion in the group financial statements. These entities are not included in the group.

In accordance with this requirement, the Council has determined its Group relationships as follows:

|  |  |  |
| --- | --- | --- |
| **Kyndi Ltd** | 100% Subsidiary | Consolidated |
| **Medway Development Company Ltd** | 100% Subsidiary | Consolidated |
| **Medway Norse Ltd** | Joint Venture | Included in the Single entity accounts |

# Introduction (continued)

A chart illustrating the hierarchy of relationships between the entities in which the Authority has interests. At the top of the chart sits Norfolk County Council, which wholly owns Norse Commercial Services.  Medway Council has two joint ventures, Medway Norse Ltd and Medway Norse Transport. Medway Council also has two subsidiaries, Kyndi Ltd (formerly Medway Commercial Group) and Medway Development Company Ltd. Kyndi Ltd is split into Medway Public Services and Kyndi Care Ltd. Medway Development Company is split into Medway Development Company (Land and Projects) Ltd and Medway Development Company (PRS) Ltd.

# Introduction (continued)

## Subsidiaries

**Kyndi Limited (09923387)**

Kyndi Limited is a company limited by shares and wholly owned by Medway Council. It was incorporated on 21 December 2015.

Kyndi Limited (formerly Medway Commercial Group (MCG) operates as a Local Authority Trading Company (LATCO) that is owned by Medway Council (single shareholder). It operates in four business areas of activity, those being CCTV, Telecare Services, Education Services and Recruitment on a commercial basis that returns a management fee to Medway Council. The business areas are split between Medway Public Services Limited (10041989) and Kyndi Care Limited (formerly Medway Commercial Services (MCS)) (10043013).

In January 2021 the business exited from the provision of Education Services. At the same time, the business agreed a substantial £2.5m Working Capital Loan with Medway Council to be repaid over 10 years, and new group fee charging arrangements that will provide stability of Kyndi Limited's operations into the future, supporting the management team as it builds out the new strategy agreed in the last financial year.

**Medway Development Company Limited (11028452)**

Medway Development Company Limited is a company limited by shares and wholly owned by Medway Council. It was incorporated on 24 October 2017.

Medway Development Company Limited operates as a Local Authority Trading Company (LATCO) that is owned by Medway Council (single shareholder). It operates in four business areas of activity, those being buying and selling of own real estate, other letting and operating of own or leased real estate, real estate agencies, and management of real estate on a fee or contract basis. The business areas are split between Medway Development Company (Land and Projects) Ltd (12995131) and Medway Development Company PRS) Ltd (12995315).

## Basis of the Preparation of Group Financial Statements

The Group Accounts have been prepared using the group accounts requirements of the Code. Companies or other reporting entities that are under the ultimate control of the Council have been included in the Council’s group accounts to the extent that they are material to users of the financial statements in relation to their ability to see the complete economic activities of the Council and its exposure to risk through interests in other entities and participation in their activities.

Subsidiaries have been consolidated by:

* adding like items of assets, liabilities, reserves, income and expenses together on a line-by-line basis to those of other group members in the financial statements; and
* eliminating intra-group balances and transactions in full.

Joint Ventures have been consolidated using the equity method by:

* adjusting the investment originally recognised at cost for the company's post-acquisition change in its share of the net assets of the investee;
* including the company's share of profits and losses in its Comprehensive Income and Expenditure Statement.

## Group Accounting Policies

The accounting policies used in the preparation of the Group Accounts are the same as for the single entity accounts of Medway Council as set out in the notes relating to specific financial statement lines and the general accounting policies can be found at Note 1 to the single entity Accounts.

**Going Concern**

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

**Material issues impacting subsidiaries**

MDC have a Loan from Medway Council which at the end of 21/22 was £34.5 mil, and in Sept 22 £53.4mil, Repayments are due as the buildings are sold.

With Kyndi the recruitment element of their income was brought back into Medway Council. This element is the largest of both income and expenditure but this only created 6% Gross Profit, when the overall figure is 17% suggesting the other areas are more profitable long term.

# Introduction (continued)

## Inventory

This is due to be sold once completed. This is measured at the lower of cost and estimated selling price less costs to complete and sell.

Cost includes all costs of purchases, costs of conversion and other costs incurred in bringing the stock to its present location and condition.

MDC classifies the building work in progress as stock. These are to be sold once completed.

# Group Comprehensive Income and Expenditure Statement

This statement shows the accounting cost in the year of providing the Group's services in accordance with generally accepted accounting practices.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Year ended 31 March 2020**  **Gross** | **Year ended 31 March 2020**  **Gross** | **Year ended 31 March 2020**  **Net** |  | **Year ended 31 March 2021**  **Gross** | **Year ended 31 March 2021**  **Gross** | **Year ended 31 March 2021**  **Net** |
| **Expenditure** | **Income** | **Expenditure** | **Service** | **Expenditure** | **Income** | **Expenditure** |
| **£'000** | **£'000** | **£'000** |  | **£'000** | **£'000** | **£'000** |
| 97,170 | (88,905) | 8,265 | Business Support Department | 108,941 | (82,088) | 26,853 |
| 278,119 | (147,376) | 130,743 | Children’s and Adults (inc. Public Health) | 322,038 | (158,794) | 163,244 |
| 18,164 | (15,881) | 2,283 | Local authority housing (HRA) | 22,206 | (15,585) | 6,621 |
| 128,285 | (38,762) | 89,523 | Regeneration, Culture & Environment | 114,739 | (24,220) | 90,518 |
| **521,738** | **(290,923)** | **230,814** | **Group Cost of Services** | **567,923** | **(280,687)** | **287,236** |
| 11,881 | 0 | 11,881 | Other operating expenditure | 10,426 | 0 | 10,426 |
| 0 | 0 | 0 | Net Surplus on trading accounts | 0 | 0 | 0 |
| 19,481 | (4,509) | 14,972 | Financing and investment income and expenditure | 19,633 | (3,956) | 15,677 |
| 8 | (215,468) | (215,468) | Taxation and non-specific grant income and expenditure | 0 | (242,641) | (242,641) |
| 0 | 0 | 0 | - S31 75% Tax Income Guarantee and Business Rate Relief compensation grants | 0 | (16,688) | (16,688) |
| **553,100** | **(510,900)** | **42,200** | **(Surplus) or Deficit on Provision of Services** | **597,981** | **(543,971)** | **54,010** |
|  |  | (399) | Share of (surplus)/Deficit of joint venture. |  |  | (385) |
|  |  | 0 | Taxation of Group Entities |  |  | 0 |
|  |  | **41,801** | **Group (Surplus)/Deficit** |  |  | **53,625** |
|  |  | (46,241) | Surplus on revaluation of property, plant and equipment assets |  |  | (26,559) |
|  |  | 33,874 | Revaluation losses on non-current assets charged to the Revaluation Reserve |  |  | 21,675 |
|  |  | (17,418) | Re-measurement of net defined pension liability/(asset) |  |  | 42,063 |
|  |  | **(29,785)** | **Other Comprehensive Income and Expenditure** |  |  | **37,179** |
|  |  | **12,016** | **Total Comprehensive Income and Expenditure** |  |  | **90,804** |

# Group Movement in Reserves Statement

This statement shows the movement in the year on the different reserves held by the Group, analysed into usable reserves and other reserves.

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2019/20** | **Revenue Reserves**  **General fund  balance** | **Revenue Reserves Earmarked General Fund Reserves** | **Revenue Reserves Dedicated Schools Grant Reserve** | **Revenue Reserves Total General  Fund Balance** | **Revenue Reserves Housing Revenue Account balance** | **Revenue Reserves Earmarked Housing Revenue Account Reserves** | **Revenue Reserves Total Housing Revenue Account** | **Capital Reserves**  **Capital receipts reserve** | **Capital Reserves**  **Major repairs reserve** | **Capital Reserves**  **Capital Grants  unapplied accounts** | **Total Usable reserves** | **Unusable reserves** | **Total Authority  reserves** | **Authorities share of  reserves or subsidiaries.  Associated and joint ventures** | **Total reserves** |
|  | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance at 31 March 2020** | **(13,924)** | **(21,532)** | **9,345** | **(26,111)** | **(5,145)** | **(1,601)** | **(6,746)** | **(5,463)** | **0** | **(18,764)** | **(57,084)** | **(170,326)** | **(227,409)** | **2,072** | **(225,337)** |
| Reporting of schools budget deficit to new adjustment account at 1 April 2020 | 0 | 0 | (9,346) | (9,346) | 0 | 0 | 0 | 0 | 0 | 0 | (9,346) | 9,346 | 0 | 0 | 0 |
| **Restated Balance at 1 April 2020** | **(13,924)** | **(21,532)** | **(0)** | **(35,457)** | **(5,145)** | **(1,601)** | **(6,746)** | **(5,463)** | **0** | **(18,764)** | **(66,429)** | **(160,980)** | **(227,409)** | **2,072** | **(225,337)** |
| **Movement in reserves during 2019/20** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Comprehensive Expenditure and Income | 33,079 | 0 | 0 | 33,079 | 8,992 | 0 | 8,992 | 0 | 0 | 0 | 42,071 | 37,179 | 79,250 | 11,554 | 90,804 |
| Adjustments between group account and authority accounts | 12,124 | 0 | 0 | 12,124 | 0 | 0 | 0 | 0 | 0 | 0 | 12,124 | 0 | 12,124 | (12,124) | 0 |
| **Net increase or decrease before transfers** | **45,203** | **0** | **0** | **45,203** | **8,992** | **0** | **8,992** | **0** | **0** | **0** | **54,195** | **37,179** | **91,374** | **(570)** | **90,804** |
| Adjustments between accounting basis and funding basis under regulations | (89,834) | 0 | 0 | (89,834) | (7,947) | 0 | (7,947) | (1,210) | 0 | (7,152) | (106,144) | 106,144 | 0 | 0 | 0 |
| **Net (increase)/decrease before transfers to Earmarked Reserves** | **(44,631)** | **0** | **0** | **(44,631)** | **1,045** | **0** | **1,045** | **(1,210)** | **0** | **(7,152)** | **(51,949)** | **143,323** | **91,374** | **(570)** | **90,804** |
| Movements in Earmarked Reserves | 35,866 | (35,866) | 0 | 0 | (1,295) | 1,295 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **(Increase)/Decrease in 2019/20** | **(8,765)** | **(35,866)** | **0** | **(44,631)** | **(250)** | **1,295** | **1,045** | **(1,210)** | **0** | **(7,152)** | **(51,949)** | **143,323** | **91,374** | **(570)** | **90,804** |
| **Balance at 31 March 2021 carried forward** | **(22,689)** | **(57,398)** | **(0)** | **(80,088)** | **(5,395)** | **(306)** | **(5,701)** | **(6,674)** | **0** | **(25,916)** | **(118,378)** | **(17,657)** | **(136,035)** | **1,502** | **(134,533)** |

# Group Movement in Reserves Statement (continued)

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **2019/20** | **Revenue Reserves**  **General fund  balance** | **Revenue Reserves Earmarked General Fund Reserves** | **Revenue Reserves Dedicated Schools Grant Reserve** | **Revenue Reserves Total General  Fund Balance** | **Revenue Reserves Housing Revenue Account balance** | **Revenue Reserves Earmarked Housing Revenue Account Reserves** | **Revenue Reserves Total Housing Revenue Account** | **Capital Reserves**  **Capital receipts reserve** | **Capital Reserves**  **Major repairs reserve** | **Capital Reserves**  **Capital Grants  unapplied accounts** | **Total Usable reserves** | **Unusable reserves** | **Total Authority  reserves** | **Authorities share of  reserves or subsidiaries.  Associated and joint ventures** | **Total reserves** |
|  | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Balance at 31 March 2019** | **(9,039)** | **(17,126)** | **4,139** | **(22,027)** | **(5,114)** | **(1,194)** | **(6,308)** | **(1,110)** | **(100)** | **(10,988)** | **(40,532)** | **(198,716)** | **(239,248)** | **1,895** | **(237,353)** |
| Reporting of schools budget deficit to new adjustment account at 1 April 2019 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Restated Balance at 1 April 2019** | **(9,039)** | **(17,126)** | **4,139** | **(22,027)** | **(5,114)** | **(1,194)** | **(6,308)** | **(1,110)** | **(100)** | **(10,988)** | **(40,532)** | **(198,716)** | **(239,248)** | **1,895** | **(237,353)** |
| **Movement in reserves during 2019/20** |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| Comprehensive Expenditure and Income | 24,625 | 0 | 0 | 24,625 | 4,070 | 0 | 4,070 | 0 | 0 | 0 | 28,695 | (29,785) | (1,090) | 13,106 | 12,016 |
| Adjustments between group account and authority accounts | 12,929 | 0 | 0 | 12,929 | 0 | 0 | 0 | 0 | 0 | 0 | 12,929 | 0 | 12,929 | (12,929) | 0 |
| **Net increase or decrease before transfers** | **37,554** | **0** | **0** | **37,554** | **4,070** | **0** | **4,070** | **0** | **0** | **0** | **41,624** | **(29,785)** | **11,839** | **177** | **12,016** |
| Adjustments between accounting basis and funding basis under regulations | (41,638) | 0 | 0 | (41,638) | (4,508) | 0 | (4,508) | (4,354) | 100 | (7,776) | (58,176) | 58,175 | 0 | 0 | 0 |
| **Net (increase) /decrease before transfers to Earmarked Reserves** | **(4,084)** | **0** | **0** | **(4,084)** | **(438)** | **0** | **(438)** | **(4,354)** | **100** | **(7,776)** | **(16,552)** | **28,390** | **11,839** | **177** | **12,016** |
| Movements in Earmarked Reserves | (801) | (4,406) | 5,207 | 0 | 407 | (407) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **(Increase)/Decrease in 2021/20** | **(4,885)** | **(4,406)** | **5,207** | **(4,084)** | **(31)** | **(407)** | **(438)** | **(4,354)** | **100** | **(7,776)** | **(16,552)** | **28,390** | **11,839** | **177** | **12,016** |
| **Balance at 31 March 2020 carried forward** | **(13,924)** | **(21,532)** | **9,346** | **(26,111)** | **(5,145)** | **(1,601)** | **(6,746)** | **(5,463)** | **0** | **(18,764)** | **(57,084)** | **(170,326)** | **(227,409)** | **2,072** | **(225,337)** |

# Group Balance Sheet

The Balance sheet shows the value of the assets and liabilities recognised by the group at 31 March 2021. The net assets of the Group are matched by Group reserves.

|  |  |  |
| --- | --- | --- |
| **Balance Sheet Summary** | **31 March 2020** | **31 March 2021** |
|  | **£'000** | **£'000** |
| Property Plant & Equipment | 690,148 | 673,587 |
| Heritage Assets | 17,859 | 18,223 |
| Investment Property | 17,119 | 17,219 |
| Intangible Assets | 1,082 | 563 |
| Assets Held for Sale > 1 Year | 0 | 0 |
| Long Term Investments | 21,978 | 21,535 |
| Long Term Debtors | 2,406 | 1,268 |
| **Long Term Assets** | **750,592** | **732,395** |
| Assets Held for Sale <1 Year | 32,779 | 18,392 |
| Inventories | 88 | 11,998 |
| Short Term Investments | 6,969 | 490 |
| Short Term Debtors | 66,391 | 88,917 |
| Cash and Cash Equivalents | 41,441 | 27,154 |
| **Current Assets** | **147,668** | **146,951** |
| Cash and Cash Equivalents | (1,882) | (7,672) |
| Grants Receipts in Advance - Revenue | (5,762) | (553) |
| Short Term Borrowing | (36,250) | (48,183) |
| Short Term Creditors | (55,597) | (74,072) |
| Finance Leases < 1 Year | (17) | (276) |
| Provisions (Short Term) | (2,541) | (1,930) |
| **Current Liabilities** | **(102,049)** | **(132,686)** |
| Long Term Creditors | (31,992) | (30,795) |
| Provisions (Long Term) | (6,957) | (5,806) |
| Long Term Borrowing | (262,672) | (235,433) |
| Other Long Term Liabilities | (267,045) | (336,097) |
| Grants Receipts in Advance - Revenue | 0 | 0 |
| Grants Receipts in Advance - Capital | (2,207) | (3,997) |
| **Long Term Liabilities** | **(570,873)** | **(612,128)** |
| **Net Assets** | **225,338** | **134,532** |
| Usable Reserves | (57,083) | (118,378) |
| Unusable Reserves | (170,326) | (17,657) |
| Subsidiaries share of reserves | 2,072 | 1,502 |
| **Total Reserves** | **(225,338)** | **(134,532)** |

# Group Cash Flow Statement

The cash flow statement shows the changes to cash and cash equivalents of the Group during the reporting period.

|  |  |  |  |
| --- | --- | --- | --- |
| **2019/20** |  | **Notes** | **2020/21** |
| **£'000** |  |  | **£'000** |
| 41,801 | Net (Surplus) or deficit on the provision of services |  | 53,625 |
| (94,798) | Adjustments to net Surplus or deficit on the provision of service for non-cash movements | G6 | (65,079) |
| 33,768 | Adjustments for items included in the net surplus or deficit on the provision of service that are investing or financing activities | G6 | 22,063 |
| **(19,230)** | **Net cash flows from Operating Activities** |  | **10,609** |
| 29,760 | [Investing Activities](file:///C:/Users/johanna.fuller/AppData/Local/Microsoft/Windows/INetCache/Content.MSO/B4C7E126.xlsm#RANGE!A1) | [G7](file:///C:/Users/johanna.fuller/AppData/Local/Microsoft/Windows/INetCache/Content.MSO/B4C7E126.xlsm#RANGE!A1) | (5,840) |
| (45,405) | [Financing Activities](file:///C:/Users/johanna.fuller/AppData/Local/Microsoft/Windows/INetCache/Content.MSO/B4C7E126.xlsm#RANGE!A1) | [G8](file:///C:/Users/johanna.fuller/AppData/Local/Microsoft/Windows/INetCache/Content.MSO/B4C7E126.xlsm#RANGE!A1) | 15,306 |
| **(34,875)** | **Net (increase) or decrease in cash and cash equivalents** |  | **20,075** |
|  |  |  |  |
| **4,686** | **Cash and cash equivalents at the beginning of the reporting period** |  | **39,559** |
|  |  |  |  |
| **39,560** | [**Cash and cash equivalents at the end of the reporting period**](file:///C:/Users/johanna.fuller/AppData/Local/Microsoft/Windows/INetCache/Content.MSO/B4C7E126.xlsm#RANGE!A1) |  | **19,484** |

The statement shows how the Group generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities.

# Group Accounts Note 1. Critical Judgements

All the critical judgements and estimation uncertainties disclosed in the Council's single entity accounts is materially applicable to the group entity. The critical judgements can be found in Note 3 on page xx and estimation uncertainties can be found in Note 5 on page xx of the single entity accounts.

## Use of unaudited accounts for Group Accounts consolidation

The company accounts relating to Medway Development Company Ltd used for the Group Accounts consolidation is based on their unaudited accounts. This is due to the entity gaining exemption from audit under section 477 of the Companies Act relating to small companies Consideration has been given whether the audited accounts would be materially different, and the conclusion is that the risk is low.

## Consideration of IFRS 15 - Revenue from Contracts with Customers

The subsidiary companies compile their accounts based on FRS102 which is similar to International Financial Reporting Standards (IFRS) but not all of the latest IFRS standards have been adopted into FRS102. to understand the differences in the accounting policies between Medway Council and the individual companies a questionnaire was issued.

No issues were identified in relation to IFRS 15. The companies recognise revenue from contracts in accordance with the underlying contract and this will be either be overtime or at a point in time which is not dissimilar to IFRS 15 requirements.

## Elimination of Income and Expenditure

Income and expenditure between Medway Council and the subsidiary companies is eliminated through a matching process on transaction by transaction basis. This applies to all transactions except those between Schools and the subsidiary companies where the balances provided by the subsidiary companies is used for the elimination.

A transaction by transaction matching process for schools is not possible as only schools balances are consolidated in the Council's single entity accounts. The risk of material unmatched items is assessed to be low.

.

# Group Accounts Note 2. Group Debtors

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **31 March 2020** | **31 March 2020** | **31 March 2020** |  | **31 March 2021** | **31 March 2021** | **31 March 2021** |
| **Long-Term** | **Short-Term** | **Total** |  | **Long-Term** | **Short-Term** | **Total** |
| **£'000** | **£'000** | **£'000** |  | **£'000** | **£'000** | **£'000** |
| *973* | *40,497* | *41,470* | Trade receivables | 720 | 52,087 | 52,806 |
| *0* | *(3,444)* | *(3,444)* | Less impairment allowance | 0 | (9,100) | (9,100) |
| **973** | **37,053** | **38,026** | **Net trade receivables** | **720** | **42,987** | **43,707** |
|  |  |  |  |  |  |  |
| **0** | **2,770** | **2,770** | **Prepayments** | 0 | 2,694 | 2,694 |
|  |  |  |  |  |  |  |
|  |  |  | **Other receivables:** |  |  |  |
| 0 | 31 | 31 | Client Financial Affairs Debtors | 0 | 31 | 31 |
| 1,420 | 0 | 1,420 | Education Related Debtors | 530 | 0 | 530 |
| 0 | 6 | 6 | Elections Debtors | 0 | 6 | 6 |
|  |  |  |  |  |  |  |
| *0* | *11,280* | *11,280* | Housing Benefit Debtors | 0 | 10,713 | 10,713 |
| *0* | *(8,567)* | *(8,567)* | Less impairment allowance | 0 | (7,955) | (7,955) |
| 0 | 2,713 | 2,713 | Net Housing Benefit Debtors | 0 | 2,758 | 2,758 |
|  |  |  |  |  |  |  |
| *0* | *1,025* | *1,025* | HRA Rent/Service Charge Debtors | 0 | 1,060 | 1,060 |
| *0* | *(447)* | *(447)* | Less impairment allowance | 0 | (362) | (362) |
| 0 | 578 | 578 | Net HRA Rent/Service Charge Debtors | 0 | 698 | 698 |
|  |  |  |  |  |  |  |
| *0* | *22,377* | *22,377* | Local Taxation Debtors | 0 | 45,453 | 45,453 |
| *0* | *(3,433)* | *(3,433)* | Less impairment allowance | 0 | (10,149) | (10,149) |
| 0 | 18,944 | 18,944 | Net Local Taxation Debtors | 0 | 35,304 | 35,304 |
|  |  |  |  |  |  |  |
| 0 | 386 | 386 | Rechargeable Works Debtors | 0 | 220 | 220 |
| 0 | 30 | 30 | Schools Debtors | 0 | 1,051 | 1,051 |
| 0 | 5 | 5 | SOCH Mortgage Debtors | 0 | 5 | 5 |
| 13 | 15 | 28 | Employee Related Debtors | 17 | 38 | 55 |
| 0 | 4,144 | 4,144 | VAT Debtors | 0 | 3,129 | 3,129 |
|  |  |  |  |  |  |  |
| **1,433** | **26,852** | **28,285** | **Other receivables** | **547** | **43,240** | **43,787** |
| **2,406** | **66,675** | **69,081** | **Total Debtors** | **1,267** | **88,921** | **90,187** |

The table provides details of amounts owed to the Group at the end of the year. Debtors included within the Group Accounts exclude any amounts owed within the Group.

# Group Accounts Note 3. Group Creditors

The table provides details of amounts owed by the Group to creditors at the end of the year. Creditors included within the Group Accounts exclude any amounts owed within the Group.

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **31 March 2020** | **31 March 2020** | **31 March 2020** |  | **31 March 2021** | **31 March 2021** | **31 March 2021** |
| **Long-Term** | **Short-Term** | **Total** |  | **Long-Term** | **Short-Term** | **Total** |
| **£'000** | **£'000** | **£'000** |  | **£'000** | **£'000** | **£'000** |
| (626) | (38,907) | (39,533) | Trade payables | (674) | (49,851) | (50,525) |
| 0 | (1,147) | (1,147) | Receipts in Advance | 0 | (745) | (745) |
|  |  |  | Other payables |  |  |  |
| 0 | 0 | 0 | Other Payables | 0 | (799) | (799) |
| 0 | 0 | 0 | Education Related Creditors | 0 | 0 | 0 |
| (6) | (1,694) | (1,700) | Employee Related Creditors | 0 | (2,210) | (2,210) |
| 0 | (549) | (549) | HRA Rent/Service Charge Creditors | 0 | (573) | (573) |
| (31,360) | (1,307) | (32,667) | Local Government Reorganisation Creditors | (30,105) | (1,255) | (31,360) |
| 0 | (11,991) | (11,991) | Local Taxation Creditors | 0 | (18,558) | (18,558) |
| 0 | (2) | (2) | Rechargeable Works Creditors | 0 | 0 | 0 |
| 0 | 0 | 0 | SOCH Mortgage Creditors | (16) | 0 | (16) |
| 0 | 0 | 0 | VAT Creditors | 0 | (80) | (80) |
| **(31,992)** | **(55,597)** | **(87,589)** | **Total Creditors** | **(30,795)** | **(74,072)** | **(104,867)** |

# Group Accounts Note 4. Group Cash & Cash Equivalents

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

|  |  |  |
| --- | --- | --- |
|  | **31 March 2021** | **31 March 2020** |
|  | **£'000** | **£'000** |
| Single Entity Cash and Cash Equivalents | 19 | 38,682 |
| Subsidiary cash and bank balances | 2,548 | 872 |
| Short term deposits with the Money Market | 16,917 | 6 |
| **Total Group Cash and Cash Equivalents** | **19,484** | **39,560** |

# Group Accounts Note 5. Group Financial Instruments

## Categories of Financial Instruments

The following categories of financial instruments are carried in the Group Balance Sheet:

|  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial Assets** |  |  |  |  |  |  |  |  |  |  |
|  | **Non-Current** |  |  |  | **Current** |  |  |  |  |  |
|  | **Investments** |  | **Debtors** |  | **Investments** |  | **Debtors** |  | **Total** |  |
|  | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** |
|  | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Fair value through profit or loss | 21,979 | 21,535 | 0 | 0 | 6,969 | 490 | 0 | 0 | 28,948 | 22,025 |
| Amortised cost - other | 0 | 0 | 977 | 1,265 | 0 | 0 | 36,263 | 60,171 | 37,240 | 61,436 |
| Cash & cash equivalents at amortised cost | 0 | 0 | 0 | 0 | 41,441 | 27,154 | 0 | 0 | 41,441 | 27,154 |
| **Total financial assets** | 21,979 | **21,535** | **977** | **1,265** | **48,410** | **27,644** | **36,263** | **60,171** | **107,629** | **110,615** |
| Non-financial assets | 0 | 0 | 1,429 | 3 | 0 | 0 | 30,128 | 28,747 | 31,557 | 28,750 |
| **Total** | 21,979 | 21,535 | **2,406** | **1,268** | **48,410** | **27,644** | **66,391** | **88,918** | **139,186** | **139,365** |
|  |  |  |  |  |  |  |  |  |  |  |
| **Financial Liabilities** |  |  |  |  |  |  |  |  |  |  |
|  | **Non-Current** |  |  |  | **Current** |  |  |  |  |  |
|  | **Borrowings** |  | **Creditors** |  | **Borrowings** |  | **Creditors** |  | **Total** |  |
|  | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** | **31 March** |
|  | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** | **2020** | **2021** |
|  | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** | **£'000** |
| Amortised cost | (262,672) | (235,433) | (31,979) | (30,776) | (36,250) | (48,183) | (39,957) | (51,670) | (370,858) | (366,062) |
| Cash & cash equivalents at amortised cost | 0 | 0 | 0 | 0 | (1,882) | (7,670) | 0 | 0 | (1,882) | (7,670) |
| **Total financial liabilities** | **(262,672)** | **(235,433)** | **(31,979)** | **(30,776)** | **(38,132)** | **(55,853)** | **(39,957)** | **(51,670)** | **(372,740)** | **(373,732)** |
| Non-financial liabilities | 0 | 0 | (13) | (19) | 0 | 0 | (15,640) | (22,402) | (15,653) | (22,421) |
| **Total** | **(262,672)** | **(235,433)** | **(31,992)** | **(30,795)** | **(38,132)** | **(55,853)** | **(55,597)** | **(74,072)** | **(388,393)** | **(396,153)** |

# Group Accounts Note 6. Group Cash Flow – Operating Activities

The cash flows for operating activities include the following items:

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£'000** |  | **£'000** |
| (258) | Interest received | (25) |
| 9,328 | Interest paid | 10,525 |
| (1,243) | Dividends received | (1,238) |

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

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£'000** |  | **£'000** |
| (27,785) | Depreciation | (24,394) |
| (14,908) | Impairment and downward revaluations | (25,879) |
| (745) | Increase in valuation of investments | (2,354) |
| 9,831 | (Increase) / decrease in creditors | (13,859) |
| (34,372) | Increase / (decrease) in debtors/Impairment for Bad Debts | 21,388 |
| 5 | Increase / (decrease) in inventories | 11,910 |
| (21,452) | Movement in pension liability | (27,508) |
| 6,404 | Contributions (to)/from Provisions | 1,762 |
| (11,628) | Carrying amount of non-current assets and non-current assets held for sale, sold or de-recognised | (11,756) |
| (148) | Other non-cash items charged to the net surplus or deficit on the provision of services | 5,611 |
| **(94,798)** |  | **(65,079)** |

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

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£’000** |  | **£'000** |
| 0 | Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 0 |
| 4,903 | Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 5,703 |
| 28,866 | Any other items for which the cash effects are investing or financing cash flows | 16,360 |
| **33,769** |  | **22,063** |

# Group Accounts Note 7. Group Cash Flow – Investing Activities

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£'000** |  | **£'000** |
| 73,635 | Purchase of property, plant and equipment, investment property and intangible assets | 28,902 |
| 37,894 | Purchase of short-term and long-term investments | 49,621 |
| (4,903) | Proceeds from the sale of Property, Plant and Equipment, Investment Property and Intangible Assets | (3,101) |
| (48,000) | Proceeds from short-term and long-term investments | (56,100) |
| (28,866) | Other receipts from investing activities | (25,162) |
| **(29,760)** | **Net cash flows from investing activities** | **(5,840)** |

# Group Accounts Note 8. Group Cash Flow – Financing Activities

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£'000** |  | **£'000** |
| (108,123) | Cash receipts of short- and long-term borrowing | (20,334) |
| 62,719 | Repayments of short- and long-term borrowing | 35,640 |
| **(45,404)** | **Net cash flows from financing activities** | **(15,306)** |

# Group Accounts Note 9. Inventories

|  |  |  |
| --- | --- | --- |
| **2019/20** |  | **2019/20** |
| **£'000** |  | **£'000** |
| 83 | Opening Balance | 88 |
| 5 | Raw Materials or works in progress | 11,910 |
| **88** | **Closing Balance** | **11,998** |



# H. Glossary



**Upnor Castle,  
Upnor**

# Glossary of Terms

**Accrual**

A sum included in the final accounts attributable to the year but for which payment has yet to be made or income received. Accruals are made for revenue and capital expenditure and income.

**Actuarial gains and losses**

These are changes in the actuary’s assessment of the value of future pension fund requirement. Changes result from actual events not matching previous actuarial assumptions or from a change in assumptions on which the valuation is based.

**Agency**

The provision of services by one local authority, on behalf of and reimbursed by the responsible local authority or central government.

**Amortisation**

The process of recognising the consumption of intangible assets in the Cost of Services on a systematic basis. Typically, this is done by dividing the gross cost of the asset over its useful life on a straight- line basis.

**Appointed auditors**

Grant Thornton UK LLP is Medway Council’s appointed Auditor.

**Asset**

An item having a value, measurable in monetary terms. Assets can be defined as current or non-current. A current asset can be readily converted into cash (for example stocks or a short term debtor). A long-term asset is expected to yield economic benefits to the Authority for more than one year (for example a building or a long-term investment).

**Assets held for sale**

Assets held for sale are items of property, plant or equipment or a group of assets and liabilities whose carrying amount is to be recovered principally through a sale rather than its continued use by the authority. They are measured at the lower of the value they had when it was agreed they would be sold and fair value less costs to sell.

**Assets under construction**

A class of property, plant and equipment asset held at historical cost and typically representing the cost of works to date on incomplete capital projects.

**Audit of accounts**

An independent examination of the Authority’s financial affairs.

**Authorised limit**

The statutory limit of the maximum amount of external debt the Authority can owe to external lenders under the Local Government Act 2003.

**Budget**

The spending plans of the Authority over a specific period of time – generally the financial year, 1 April to 31 March.

**Capital adjustment account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or additions to those assets under statutory provisions.

**Capital expenditure**

Expenditure to acquire or enhance long-term assets.

**Capital financing**

The raising of money to pay for capital expenditure. There are various methods of financing capital expenditure, including borrowing, leasing, using capital receipts, grants/contributions from third parties, or directly from revenue budgets.

**Capital Programme**

The capital schemes the Authority intends to carry out over a specified period of time.

**Capital receipt**

The proceeds from the disposal of land or other long-term assets.

**Chartered Institute of Public Finance and Accountancy (CIPFA)**

The professional accountancy body specialising in public finance.

**Churches, charities and local authorities (CCLA)**

The Authority holds units in a property fund and a money market fund managed by this organisation.

**Community assets**

Assets that the Authority intends to hold in perpetuity, or that have no determinable useful life, and that may have restrictions on their disposal. Examples of community assets include parks and historical buildings.

**Componentisation**

The process of analysing an asset into significant component parts where those components have different useful lives. This is required whenever the resultant depreciation charges and their impact on asset carrying amounts would make a material difference to the accounts.

# Glossary of Terms (continued)

**Consistency**

The concept that ensures the accounting treatment of like items within an accounting period and from one period to the next one is the same.

**Contingent assessment**

A possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the authority.

**Contingent liability**

A possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Authority, or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, or the amount of the obligation cannot be measured with sufficient reliability.

**Creditor**

Amounts owed by the Authority for works done, goods received or services rendered before the end of the accounting period but for which payments had not been made by the end of that period.

**Current service cost**

The increase in the present value of a defined benefit obligation resulting from employee service in the current period.

**Current value**

Measurements reflect the economic environment prevailing for the service or function the asset is supporting at the reporting date. In this section of the Code, the current value measurement bases include:

* existing use value
  + existing use value – social housing (EUV–SH)
  + depreciated replacement cost
* fair value

**Debtor**

Amounts due to the Authority for works done, goods received, or services rendered before the end of accounting period, but for which payments had not been received by the end of that period.

**Defined benefit scheme**

A pension scheme under which members pension benefits are calculated independently of contributions payable.

**Defined contribution scheme**

A pension scheme under which contributions into the scheme are set but the pension benefits payable are related to the performance of investments made by the fund.

**Depreciable amount**

Depreciable amount is the cost of an asset, or other amount substituted for cost, less residual value.

**Depreciated replacement cost(DRC)**

A method of valuation which provides the current cost of replacing an asset with its modern equivalent asset less deductions for all physical deterioration and all relevant forms of obsolescence and optimisation. Where DRC is used as the valuation methodology, authorities should use the ‘instant build’ approach at the valuation date and the choice of an alternative site will normally hinge on the policy in respect of the locational requirements of the service that is being provided.

**Depreciation**

Is the systematic allocation of the depreciable amount of an asset over its useful life.

**Derecognition**

This is the process of removing financial assets or liabilities from the Balance Sheet once performance under the contract is complete or the contract is terminated.

**Discounts**

Discounts represent the outstanding discount received on the premature repayment of Public Works Loan Board loans. In line with the requirements of the Code, gains arising from the repurchase or early settlement of borrowing have been written back to revenue. However, where the repurchase or borrowing was coupled with a refinancing or restructuring of borrowing with substantially the same overall economic effect when viewed as a whole, gains have been recognised over the life of the replacement loan.

**Earmarked reserves**

These are reserves held to meet specific, known or predicted future expenditure.

# Glossary of Terms (continued)

**Exceptional items**

Significant items of income or expenditure on ordinary activities of the Authority but which due to their size or incidence are disclosed separately to give a fair presentation of the accounts.

**Existing use value (EUV)**

The estimated amount for which a property should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction, after proper marketing. The parties are taken to have acted knowledgeably, prudently and without compulsion. It is also assumed that the buyer is granted vacant possession of all parts of the property required by the buyer. The valuer will disregard potential alternative uses and any other characteristics of the property that would cause its market value to differ from that needed to replace the remaining service potential at least cost.

**Existing use value – social housing (EUV – SH)**

The estimated amount for which a property should exchange, on the date of valuation, between a willing buyer and a willing seller, in an arm’s-length transaction, after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion, subject to the following further assumptions that:

* the property will continue to be let by a body and used for social housing
* at the valuation date, any regulatory body, in applying its criteria for approval, would not unreasonably fetter the vendor’s ability to dispose of the property to organisations intending to manage their housing stock in accordance with that regulatory body’s requirements
* properties temporarily vacant pending re-letting should be valued, if there is a letting demand, on the basis that the prospective purchaser intends to re-let them, rather than with vacant possession
* any subsequent sale would be subject to all of the above assumptions.

**External audit**

The independent examination of the activities and accounts of Local Authorities to ensure the accounts have been prepared in accordance with legislative requirements and proper practices and to ensure the Authority has made proper arrangements to secure value for money in its use of resources.

**Employee expenditure**

The salaries and wages of employees together with national insurance, superannuation and all other pay-related allowances. Training expenses and professional fees are also included.

**Expenditure**

This is amounts paid by the Authority for goods received or services rendered of either a capital or revenue nature. This does not necessarily involve a cash payment since expenditure is deemed to have been incurred once the goods or services have been received even if payment has not been made (in which case the payee is a creditor to the Authority).

**Fair value**

The estimate of the price at which an orderly transaction to sell an asset or to transfer a liability would take place between market participants at the measurement date under current market conditions.

**Financial instruments**

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. The term ‘financial instrument’ covers both financial assets and financial liabilities and includes both the most straightforward financial assets and liabilities such as trade receivables and trade payables and the most complex such as derivatives and embedded derivatives.

**Finance lease**

Is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset. Title may or may not eventually be transferred.

**General fund**

The main revenue fund of the Authority including all services financed by local taxation and government grants.

**Government grants**

Grants made by the government towards either revenue or capital expenditure to support the cost of the provision of Local Authority’s services. These grants may be specifically towards the cost of particular schemes or to support the general revenue spending of the Authority (Revenue Support Grant).

**Group accounts**

Group Accounts consolidate the financial results of the Authority, any of its subsidiaries and/or associates. The Authority is not required to produce these or group accounts for the 2019/20 Statement of Accounts, due to materiality.

# Glossary of Terms (continued)

**Heritage asset**

A tangible asset with historic, artistic, scientific, technological, geophysical or environmental qualities that is held and maintained principally for its contribution to knowledge and culture.

**Historical cost (HC)**

is defined as:

* Assets: the value of the costs incurred in acquiring or creating the asset, comprising the consideration paid plus transaction costs.
* Liabilities: the value of the consideration received to incur or take on the liability minus transaction costs.

The historical cost of an asset may be updated over time to reflect depreciation or amortisation, payments received that settle an obligation owed to the authority, impairment and accrual of interest. The historical cost of a liability may be updated over time to reflect settlement of an obligation owed to a third party, the accrual of interest, or events that have the effect of making the liability onerous.

**Housing benefits**

This is an allowance to persons on low income (or none) to meet, in whole or part, their rent. Benefit is allowed or paid by Local Authorities, but Central Government refunds part of the cost of the benefits and of the running costs of the services to Local Authorities. Benefits paid to the Authority’s own tenants are known as rent rebate, and that paid to private tenants as rent allowance.

**Housing revenue account (HRA)**

Local Authorities are required to maintain a separate account - the Housing Revenue Account - which sets out the expenditure and income arising from the provision of Council housing. Other services are charged to the General Fund.

**Impairment of non current assets**

A reduction in the value of a non-current asset below its value brought forward in the Balance Sheet. Examples of factors which may cause such a reduction in value include general price decreases, a significant decline in a non-current asset’s market value and evidence of obsolescence or physical damage to the asset.

**Income**

These are amounts due to the Authority for goods supplied or services rendered of either a capital or a revenue nature. This does not necessarily involve a cash payment. Income is deemed to have been earned once the goods or services have been supplied even if the payment has not been received (in which case the recipient is a debtor to the Authority).

**Infrastructure assets**

Non-current assets which generally cannot be sold and from which benefit can be obtained only by continued use of the asset created. Examples of such assets are highways, footpaths, bridges and water and drainage facilities.

**Intangible assets**

These are non-current assets that do not have physical substance but are identifiable and controlled by the Authority. Examples include software, licenses and patents.

**International Financial Reporting Standards (IFRS)**

Defined Accounting Standards that must be applied by all reporting entities to all financial statements in order to provide a true and fair view of the entity’s financial position, and a standardised method of comparison with financial statements of the other entities.

**Investment properties**

Properties (land or a building, or part of a building, or both) held solely to earn rental income or for capital appreciation or both, rather than for either the use in the production or supply of goods/services/administrative purposes, or sale in the ordinary course of operations.

**Joint venture**

Arrangements under which two or more parties have contractually agreed to share control, such that decisions about activities that significantly affect returns require the unanimous consent of the parties sharing control. Joint venturers have rights to the net assets of the arrangement.

**Lease**

An agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. Two forms of lease exist:

* finance leases, and
* operating leases.

**Leasing costs**

This is rental paid for the use of an asset for a specific period of time.

**Lender Option Borrower Option (LOBO)**

A LOBO is a type of loan instrument. The borrower borrows a principal sum for the duration of the loan period (typically 20 to 50 years), initially at a fixed interest rate. Periodically (typically every six months to 3 years), the lender has the ability to alter the interest rate. Should the lender exercise this option, the borrower then has the option to continue with the instrument at the new rate or alternatively to terminate the agreement and pay back the principal sum with no other penalty.

# Glossary of Terms (continued)

**Liabilities**

These are amounts due to individuals or organisations which will have to be paid at some time in the future. Current liabilities are usually payable within one year of the Balance Sheet date.

**Long term creditors**

Amounts due from Medway Council where payment is to be made over a period of time in excess of one year.

**Long term debtors**

Amounts due to Medway Council where payment is to be made over a period of time in excess of one year.

**Materiality**

An item would be considered material to the financial statements if, through its omission or non-disclosure, the financial statements would no longer show a true and fair view.

**Medium term finance strategy (MTFS)**

A financial planning document setting out future years’ financial forecasts for the Authority. It considers local and national policy influences and their impact on the general fund revenue budget, capital programme and HRA. In Medway it usually covers a four year timeframe.

**Minimum revenue provision (MRP)**

MRP is the minimum amount which must be charged to an Authority’s revenue account each year and set aside as provision for credit liabilities, as required by the Local Government Act 2003.

**Non-current assets**

Assets that yield benefits to the Authority and the services it provides for a period of more than one year. Examples include land, buildings and vehicles.

**Non-domestic rates (NDR or business rates)**

NDR is the levy on business property, based on a national rate in the pound applied to the ‘rateable value’ of the property. The Government determines a national rate poundage each year which is applicable to all Local Authorities. The income derived from business rates is distributed between preceptors (Medway, Kent Fire and Rescue Service and Central Government) based upon a pre-determined allocation percentage.

**Net book value (NBV)**

The amount at which fixed assets are included in the balance sheet, i.e. their historical cost or current value less the cumulative amounts provided for depreciation.

**Net debt**

Net debt is the Authority’s borrowings less cash and treasury investments.

**Net operating expenditure**

This compares all expenditure minus all income, other than the precept and transfers from reserves.

**Non operational assets**

Non-current assets held by the Authority, but not directly occupied or used in the delivery of services. Examples are investment properties, or assets that are surplus to requirements, pending sale or redevelopment.

**Net realisable value (NRV)**

NRV is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

**Operating lease**

Is a lease other than a finance lease.

**Operational assets**

Non-current assets held by the Authority and directly occupied or used in the delivery of its services.

**Past service cost**

The change in the present value of the defined benefit obligation for employee service in prior periods, resulting from a plan amendment (the introduction or withdrawal of, or changes to, a defined benefit plan) or a curtailment (a significant reduction by the Authority in the number of employees covered by a plan), and any gain or loss on settlement.

**Precept**

The amount levied by various Authorities that is collected by the Authority on their behalf. The precepting Authorities in Medway are the Police and Crime Commissioner for Kent (PCCK) and the Kent Fire and Rescue Service (KFRS).

**Premiums**

These are discounts that have arisen following the early redemption of long term debt, which are written down over the lifetime of replacement loans where applicable.

**Prior period adjustments**

These are material adjustments which are applicable to an earlier period arising from changes in accounting policies or for the correction of fundamental errors.

**Property, plant and equipment**

Tangible non-current assets (i.e. assets with physical substance) that are held for use in the production or supply of goods and services, for rental to others, or for administrative purposes, and expected to be used during more than one period.

# Glossary of Terms (continued)

**Provision**

An amount set aside for liabilities or losses which are certain to arise, but which due to their nature cannot be quantified with certainty.

**Prudential building**

Borrowing for which no financial support is provided by Central Government. The borrowing costs are to be met from revenue budgets.

**Public works loan board (PWLB)**

A central government agency that provides loans for one year and above to local authorities at interest rates only slightly higher than those at which the government itself can borrow.

**Rateable value**

The annual assumed rental value of a property that is used for Non Domestic Rate purposes.

**Related parties**

Related parties are Central Government, other Local Authorities, precepting and levying bodies, subsidiary and associated companies, Elected Members, all senior officers that form part of the Corporate Management Team, and the Pension Fund. For individuals identified as related parties, the following are also presumed to be related parties:-

* members of the close family, or the same household; and
* partnerships, companies, trusts or other entities in which the individual, or member of their close family or the same household, has a controlling interest.

**Related party transactions**

A related party transaction is the transfer of assets or liabilities or the performance of services by, to or for a related party irrespective of whether a price is charged. The principal issue is the degree of control or influence by one party over the other. For transactions not disclosed elsewhere in these accounts, a related party with the Authority is either a Cabinet Member or officer forming part of the Corporate Management Team of the Authority.

**Reporting standards**

The Chartered Institute of Public Finance and Accountancy (CIPFA) Code of Practice prescribes the accounting treatment and disclosures for all normal transactions of a Local Authority. The Code is based on International Financial Reporting Standards (IFRS), International Accounting Standards (IAS), Financial Reporting Standards (FRS), International Financial Reporting Interpretations Committee (IFRIC) and UK Generally Accepted Accounting Practice (GAAP).

**Reserves**

Amounts set aside for general contingencies, to provide working balances or earmarked to specific future expenditure. Reserves of a revenue nature are available and can be spent or earmarked at the discretion of the Authority. Some capital reserves such as the revaluation reserve cannot be used to meet current expenditure.

**Revaluation reserve**

The Reserve records the accumulated gains on the fixed assets held by the Authority arising from increases in value as a result of inflation or other factors (to the extent that these gains have not been consumed by subsequent downward movements in value).

**Revenue expenditure**

The day-to-day expenses of providing services.

**Revenue expenditure funded from capital under statute (REFCUS)**

Expenditure incurred during the year that may be capitalised under statutory provision but that does not result in the creation of a non-current asset, the cost of which has been charged as expenditure to the Comprehensive Income and Expenditure Statement (CIES).

**Revenue support grant (RSG)**

The main non-ringfenced grant from Central Government to the Authority to support revenue budgets.

**Subsidiaries**

Entities that the authority controls if and only if it has all three of the following:

* power over the entity
* exposure, or rights, to variable returns from its involvement with entity, and
* the ability to use its power over the entity to affect the amount of the authority's returns

**Surplus asset**

A class of property, plant and equipment assets which are not being used to deliver services, but which do not meet the criteria to be classified as either investment properties or assets held for sale. Surplus assets are valued at existing use value in their previous use and are subject to depreciation.

# Glossary of Terms (continued)

**The code (CIPFA accounting code of practice)**

The Code incorporates guidance based on approved accounting standards issued by the International Accounting Standards Board and interpretations of the International Financial Reporting Interpretations Committee, except where these are inconsistent with specific statutory requirements. The Code also draws on approved accounting standards issued by the International Public Sector Accounting Standards Board and the UK Financial Reporting Council where these provide additional guidance. It sets out the proper accounting practice to be adopted for the Statement of Accounts to ensure they ‘present fairly’ the financial position of the Council. The Code constitutes a ‘proper accounting practice’ under the terms of Section 21(2) of the Local Government Act 2003.

*NOTE: values throughout these accounts are presented rounded to the nearest thousand. Totals in supporting tables and notes may not appear to cast, cross-cast, or exactly match to the core statements or other tables due to rounding differences.*

**Treasury management**

The process of controlling the Authority’s cash flow, borrowing and lending activities.

**Treasury management strategy**

A strategy prepared with regard to legislative and CIPFA requirements setting out the framework for treasury management activity for the Authority.