Maidstone Borough Council

# NARRATIVE REPORT

## for the year ending 31st March 2021


MAIDSTONE
Borough Council

# Overview

For Maidstone Council, as for all organisation's, the year to 31 March 2021 was a year like no other. As the local authority for Maidstone and the surrounding area, the Council played a vital part in combating Covid-19. At the same time, many of the sources of income on which it relies as an organisation were badly affected by the pandemic. The Council was fortunate in that these losses were largely offset by support from central government and mitigating measures taken by the Council itself. As a result, it continues to have an adequate but not excessive level of reserves, which provides it with reassurance about its future financial resilience.

While central government support remains important, both in enabling the Council to respond to the continuing impact of the pandemic and in supporting the community's recovery, the Council has a strong track record of developing and maintaining local sources of income on its own initiative. It hopes that national government will recognise the vital role played by local authorities like Maidstone and will re-cast the local government finance settlement in the years from 2022/23 onwards so as to give the Council the financial flexibility it needs to continue supporting the community.

**This narrative report sets out:**

- Background information about Maidstone as a place and about the Council
- The Council's corporate strategy and how this is reflected in its financial strategy
- Key achievements and performance over the past year, including a summary of financial performance
- Details of the risks that the Council faces
- Outlook for the future

## Key Facts about Maidstone

| **POPULATION OF MAIDSTONE BOROUGH** | |
|---|---|
| **2020** | 173,100 |
| **2019** | 171,800 |

| **GROSS VALUE ADDED PER HEAD** | |
|---|---|
| **2019** | £24,456 |
| **2018** | £23,708 |

| **NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH** | |
|---|---|
| **2019** | 8,275 |
| **2018** | 7,990 |

| **BUSINESS RATESGENERATED** | |
|---|---|
| **2020/21** | £31.7 million* |
| **2019/20** | £60.3 million |

*net of Covid-19 Business Rates relief

| **WEEKLY PAY FOR A FULL-TIME WORK** | |
|---|---|
| **2020** | £605.50 |
| **2019** | £579.20 |

| **COUNCIL GROSS REVENUE** | |
|---|---|
| **2020/21** | £101.0 million |
| **2019/20** | £96.6 million |

| **COUNCIL REVENUE GENERATED LOCALLY (**Excluding Covid-19 Grants)* | |
|---|---|
| **2020/21** | 91.5% |
| **2014/15** | 82.3% |

| **COUNCIL SURPLUS/(DEFICIT) AGAINST BUDGET** | |
|---|---|
| **2020/21** | 5.7% |
| **2019/20** | -1.2% |

| **COUNCIL INVESTMENT IN LONG TERM ASSETS** | |
|---|---|
| **2020/21** | £163.5 million |
| **2019/20** | £158.6 million |

| **COUNCIL'S USABLE RESERVES** (excludes funding of Collection Fund defcit) | |
|---|---|
| **2020/21** | £21 million |
| **2019/20** | £17.2 million |

* 2014/15 comparator used to indicate position at commencement of current local government funding regime

# About Maidstone


Maidstone is the largest borough council district in Kent, with an estimated 175,000 residents in mid-2020. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area, there are local service centers such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham and many smaller villages.

Maidstone has the largest economy of any Kent borough, generating an estimated £4 billion Gross Value Added per annum. The borough has around 8,000 businesses covering a diverse range of sectors including life sciences, healthcare, ICT, construction and civil engineering, professional and business services, agriculture and horticulture, and education.

The M20 from London to the Kent coast runs through the borough, providing good transport links and the opportunity for further business growth.

The town of Maidstone is surrounded by a rural area that stretches from the Kent Downs Area of Outstanding Natural Beauty in the North to the Weald in the South. The borough has a rich historical heritage, with 2,000 listed buildings and 28 scheduled ancient monuments. The river Medway flows through the borough and the town centre and, together with its tributaries, is one of the borough's prime assets. All these natural and physical advantages normally help the borough attract around four million visitors each year.

## About the Council

The Council is accountable to local residents through its 55 councillors, who are elected by thirds for terms of four years, such that elections are held in three years out of every four. The Borough elections that were due to be held in May 2020 were postponed for a year owing to the Covid-19 pandemic. Following these delayed elections in May 2021, the political composition of the Council is:

| | |
|---|---|
| Conservative | 29 |
| Liberal Democrat | 17 |
| Independent | 5 |
| Labour | 4 |

The Council operates a committee system, with decisions being made by four main Committees: Policy and Resources; Communities, Housing and Environment; Economic Regeneration and Leisure; and Strategic Planning and Infrastructure. The Council elects a Leader each year, who is also Chairman of the Policy and Resources Committee. The current Leader of the Council is Councillor David Burton.

The Council employed 516 people (480 full time equivalent) at 31 March 2021, based at the Council's administrative offices in Maidstone House, King Street, and at service locations including the Council's depot at Bircholt Road, Parkwood.

## Maidstone's Strategic Plan and Medium Term Financial Strategy

The Council adopted a Strategic Plan in December 2018, setting out its aspirations through to 2045. The vision set out in the Plan is for Maidstone to be a vibrant, prosperous, urban and rural community at the heart of Kent, where everyone can realise their potential. Within the overall Strategic Plan, we have defined four strategic priorities: embracing growth and enabling infrastructure; making Maidstone safe, clean and green; providing homes and supporting communities; and making the borough a thriving place. Achievements in 2020/21 against these objectives and key performance indicators are set out in the following section.

The Strategic Plan has been refreshed in light of the Covid-19 pandemic. The overall strategic priorities remain the same, but specific areas of focus for the next five years have been agreed. So far as recovery from Covid-19 is concerned, the Council's approach will be based around four themes: economic recovery, supporting resilience for communities and vulnerable people, adapting the way we work, and financial recovery.

The Strategic Plan is reflected in a five year Medium Term Financial Strategy (MTFS), which is updated on an annual basis. Recognising that there is a high degree of uncertainty about the medium term financial position, the MTFS incorporates various potential scenarios, representing favourable, neutral and adverse sets of circumstances. An annual budget is drawn up and agreed by councillors based on the neutral scenario, but with consideration paid to the appropriate level of reserves to build resilience to accommodate a range of potential scenarios.

In drawing up a budget for 2021/22, the Council projected that the ongoing impact of Covid-19 would give rise to a deficit of £1.6 million. This in-year deficit in 2021/22 would be covered by deploying earmarked reserves brought forward from previous years. Looking forward, there is a comprehensive and robust savings plan for eliminating the revenue budget deficit over a three year period.

The Council has deliberately not used one-of funding from the government to fund the deficit. Instead, it has set aside one-of government funding, principally the unringfenced Covid-19 expenditure grant of £860,000 for 2021/22 (its share of £2 billion for all local authorities), specifically for initiatives to address Covid-19 response and recovery. In this way, the ongoing financial position of the Council is secured whilst providing funds to kick-start the recovery.

# Key achievements

## EMBRACING GROWTH AND ENABLING INFRASTRUCTURE

- **Garden Community**
  The Council has signed a collaboration agreement with Homes England to jointly promote a new 5,000 home garden community, Heathlands, through the Local Plan Review. This ambitious proposal will be for a landscape led masterplan that will be an exemplar in terms of carbon neutrality and biodiversity net gain. Heathlands will also have a strong employment offer, with an ambition to provide one new job for every home built. The Council and Homes England will share the joint promotion costs, with a view to securing a Planning consent within circa 5 years. Thereafter, Homes England will perform that master developer role whilst the Council will focus upon the long terms stewardship of the new community.

- **Innovation Centre**

  The Maidstone Innovation Centre is nearing completion and will be welcoming businesses tenants from the health and med-tech sectors from the summer of this year. The building itself is of the highest design quality, designed by Bond Bryan architects, and will also achieve an excellent BREEAM rating in terms of its environmental performance. Rydon is the contractor and the project is being part financed through the European Regional Development Fund. Businesses that locate within the Innovation Centre will benefit from wraparound business support packages, which will also be available to other businesses operating across the Local Enterprise Region that are also focused upon the health and med-tech sectors.

## HOMES AND COMMUNITIES

- **Community Hub**
  In March 2020, following the government's request to provide support to the 'shielded' population, the Council set up a 'Community Hub' comprising a contact centre where people can seek support, a physical distribution hub, a befriending service and a dedicated part of the MBC web-site to provide information for people needing support and a place where volunteers could offer support. Led by the Head of Policy, Communications and Governance, staff were quickly re-deployed from across the council to enable set up in a matter of days. The Community Hub provided free phone and web based contact channels. The team developed processes for managing contact with residents and the provision of support, sourced and procured food and household essentials and linked in with parish councils, community services, voluntary groups, KCC, health providers and volunteers.

  The Hub has provided support directly or signposted around 1,500 people. Around a third have been re-directed to others for support at the first contact e.g. to a parish council or existing community group. Our co-ordination team has worked directly with around two thirds (1,000) of the people who requested support; the Hub team have contacted them, undertaken a needs assessment, and provided or coordinated appropriate support. Over a thousand food parcels were delivered across the Borough to residents in need directly by the community hub.

  The council has also been in regular contact with the "shielded community" which began at over 5,000 people and rose to just over 10,000 by January 2021. This involved ensuring they have access to food, support and other services through both direct provision and working with the voluntary and community sector as well as our Parish Councils.

- **Homelessness Initiatives**
  The Council continues to excel with its homelessness services, even with the additional pressures caused by the pandemic. Through continued investment in the core services, the street homeless population in Maidstone has reduced to zero. Furthermore, the Council has continued to expand its own portfolio of temporary accommodation for homeless households, which has not only reduced our reliance on costly nightly paid provision, but also provides a higher quality of accommodation to those affected by homelessness.

- **Trinity Place**
The Council has acquired and will soon be refurbishing an existing community asset, Trinity Place, that will further support our housing and homelessness services. This facility was previously used as a Foyer by a local housing association, providing housing and training for young people, but funding for these services had ended and the building was empty and falling into disrepair. The refurbishment is scheduled to take place from May 2021 allowing residents to move in from September 2021. It will provide 23 self-contained one and two-bedroom apartments and studios and will cost around £1m to complete. The Ministry of Housing, Communities & Local Government have supported the MBC project through a Capital and Revenue Grant, with the combined sums being for circa £545k, through their Next Steps Accommodation Programme.

- **Completion of Brunswick Street and Union Street housing developments**
The Council completed two high quality housing developments in May 2021, both of which are redevelopments of underutilised town centre car parks. The two schemes have provided 94 new homes in total, of which it will retain one third for Private Rented Sector Housing (in its housing company Maidstone Property Holdings Limited), one third for affordable housing that has been acquired by a local housing association partner, and one third of the homes for market sale through a joint venture with the Council's developer / contractor partner Purelake. The sales and lettings demand for all the new homes has been extremely strong, with residents enjoying features to include high energy efficiency ratings, electric car charging points and balconies. To bring these projects forward the Council secured Land Release Fund monies from central government which aided the overall viability of the redevelopments.

## SAFE, CLEAN AND GREEN

- **Mote Park Dam Works**
Mote Park Lake was formed in the 1830s by damming the River Len. Following a review under the Reservoirs Act 1975 of Mote Park Lake, the Council has carried out extensive work to increase the spillway capacity of the lake to reduce risk of failure of the dam due to overtopping. The works comprise a 50m wide auxiliary spillway, an abutment formed with grass covered articulated concrete blocks and a wave wall. Landscaping works were carried out around the new abutment including the planting of trees and seeding grassed areas. Breheny Civil Engineering carried out the works, which were completed in December 2020. A certificate under the Reservoirs Act 1975 has now been issued which has been accepted by the Environment Agency as evidence that the Council's legal obligations for managing the food risk have been discharged. A final stage in the work, the installation of automated sluice gates, is due to take place this year.

## A THRIVING PLACE

- **Lockmeadow Refurbishment**
The Council acquired the Lockmeadow leisure complex in November 2019 in order to support the objective of making Maidstone a thriving place, with the Council working as an active landlord to enhance the site and bring more visitors into the town centre. Improvements to the exterior of the site were completed in December 2020, including modernisation of the external facia, removal or replacement of railings, a new, more welcoming entrance to the car park, and removal of redundant structures in order to better link the site with the Medway riverside. At the same time, the Odeon cinema was upgraded to their premium 'Odeon Luxe' format. Further work is now planned to introduce a Food Hall within the complex and a play area alongside it. These measures will help Lockmeadow recover strongly from its enforced closure during the first and second Covid-19 lockdowns.

- **Lockmeadow Refurbishment**
Maidstone Borough Council has been able to quickly respond to support local businesses impacted through the pandemic, implementing new systems and processes to identify and target support to eligible businesses. In total the council made over 9,800 grant awards totaling £54m to eligible businesses during the period of the pandemic and received widespread praise across the business community for the efficient way in which the schemes were delivered.

# KEY PERFORMANCE INDICATORS

Key Performance Indicators are set for each Council priority in consultation with the relevant Service Committee. Performance against targets is set out below.

## PRIORITY: A Thriving Place

| Performance Indicator | Service | 2020/21 Out-turn | 2020/2021 Target | Status | Compared to 2019/20 |
|---|---|---|---|---|---|
| Customer satisfaction with the Hazlitt | Leisure & Tourism | - | 75% | - | - |
| Percentage of vacant retail units in the town centre | Economic Development | 18% | 20% | | ↓ |
| Number of visits per month to Visit-Maidstone.com | Economic Development | 231,840 | 137,121 | | ↓ |
| Footfall in the Town Centre | Economic Development | 5,024,169 | 5,848,834.6 | | ↓ |
| Percentage of unemployed people in Maidstone (out-of-work benefits)[NOMIS] | Economic Development | 5.0% | 5.3% | | - |
| Number of students benefitting from the museums educational service | Leisure & Tourism | 60 | 9,000 | | ↓ |
| Footfall at the Museum and Visitors Information Centre | Leisure & Tourism | 6,825 | 29,494.2 | | ↓ |
| Number of users at the Leisure Centre | Leisure & Tourism | 101,646 | 805,257 | | ↓ |
| Business Rates income from the Town Centre | Economic Development | - | - | | ↑ |
| Total value of business rateable properties | Economic Development | £150,212,625.00 | - | | ↑ |

## PRIORITY: Clean, Safe and Green

| Performance Indicator | Service | 2020/21 Out-turn | 2020/21 Target | Status | Compared to 2019/20 |
|---|---|---|---|---|---|
| Percentage of unauthorised encampments on Council owned land removed within 5 working days | Community Protection | 83.33% | 100% | | ↓ |
| The percentage of relevant land and highways that is assessed as having acceptable levels of litter | Waste Crime Team | 96.48% | 98.00% | | ↓ |
| The percentage of relevant land and highways that is assessed as having acceptable levels of detritus | Waste Crime Team | 94.97% | 95.00% | | ↓ |
| Percentage of fly tips with evidential value resulting in enforcement action | Waste Crime Team | 90.4% | 87.0% | | ↑ |
| Maintenance per Hectare Spent on Parks and open Spaces | Parks & Open Spaces | £6020 | - | | ↑ |
| Number of Green Flag Parks | Parks & Open Spaces | 4 | 3 | | - |
| Actual Spend of Section 106 money | Parks & Open Spaces | £435,291.00 | - | | ↑ |
| Percentage of household waste sent for reuse, recycling and composting | Waste & Recycling | 50.24% | 52.00% | | ↑ |
| Contamination: Tonnage per month rejected | Waste & Recycling | 1552.46 | 1150.00 | | - |
| Percentage of fly tips assessed within 2 working days | Street Cleansing | 95.30% | 94.00% | | - |

## PRIORITY: Homes & Communities

| Performance Indicator | Service | 2020/21 Out-turn | Target | Status | Compared to 2019/20 |
|---|---|---|---|---|---|
| Number of completed housing assistances | Housing & Health | 342 | - | | ↓ |
| Number of houses of multiple occupation brought to compliance by private rented sector licensing | Housing & Health | 30 | 30 | | ↓ |
| Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00) | Housing & Health | 137 | - | | ↓ |
| Number of households living in nightly paid temporary accommodation last night of the month | Housing & Health | 52 | - | | ↓ |
| Number of households housed through the housing register | Housing & Health | 651 | 450 | | ↑ |
| Percentage of successful Prevention Duty outcomes | Housing & Health | 71.38% | 60% | | ↑ |
| Number of households prevented or relieved from becoming homeless | Housing & Health | 648 | 450 | | ↑ |
| Percentage of successful Relief Duty outcomes | Housing & Health | 46.26% | 60% | | ↓ |
| Percentage of gas safety certificates in place on all residential properties | Housing & Health | 97.78% | 100.00% | | - |
| Percentage of all electrical safety certificates on all residential properties | Housing & Health | 96.71% | 100.00% | | - |
| Percentage of high priority fire safety certificates on all residential properties | Housing & Health | 100.00% | 100.00% | | - |
| Percentage spend and allocation of Disabled Facilities Grant Budget (YTD) | Housing & Health | 110.7% | 75.0% | | ↓ |

## PRIORITY: Embracing Growth & Enabling Infrastructure

| Performance Indicator | Service | 2020/21 Out-turn | 2020/21 Target | Status | Compared to 2019/20 |
|---|---|---|---|---|---|
| Percentage of priority 1 enforcement cases dealt with in time | Development Management | 90% | 95% | | ↓ |
| Percentage of Priority 2 enforcement cases dealt with in time | Development Management | 85.69% | 90% | | ↓ |
| Number of enforcement complaints received | Development Management | 564 | - | | ↑ |
| Open planning enforcement cases (as of start of March 2021) | Development Management | 319 | - | | ? |
| Processing of planning applications: Major applications (NI 157a) | Development Management | 91.67% | 92.00% | | ↓ |
| Processing of planning applications: Minor applications (NI 157b) | Development Management | 97.55% | 99.00% | | ↑ |
| Processing of planning applications: Other applications (NI 157c) | Development Management | 99.52% | 99.00% | | ↑ |
| Number of affordable homes delivered (Gross) | Economic Development | 342 | 180 | | ↓ |
| Affordable homes as a percentage of all new homes | Economic Development | Data not yet available | | | |
| Net additional homes provided (NI 154) | Development Management | | | | |

# Financial Performance

Maidstone Council's financial turnover, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £234 million in 2020/21 (£251 million in 2019/20). The table below shows the flows of income and expenditure.

**Council Tax £124.0m**

**Business Rates £31.7m**

**New Homes Bonus £4.5m**

**Specific Government Grants - General & Covid £49.7m**

**Fees and Charges £22.7m**

**Other Income £1.7m**

TOTAL RESOURCES **£234.3m**

PAID TO OTHERS **£131.1m**

**Council Tax £105.1m**

**Business Rates £26.0m**

RETAINED BY MAIDSTONE

**Council Tax £18.9m**

**Business Rates £5.7m**

**Revenue Support Grant NIL**

**New Homes Bonus £4.5m**

**Specific Government Grants - General & Covid £49.7m**

**Fees and Charges £22.7m**

**Other Income £1.7m**

These sources of funding support the day-to-day running of the Council. Details are set out in the Comprehensive Income and Expenditure Statement and note 11.

This grant is used to fund investments in the Borough through the Council's capital programme. This is reflected in notes 11 and 31.

This represents income generated

This represents income generated by the Council through a range of activities, including property rentals, services shared with other local authorities, planning fees, parking charges and garden waste collection. These amounts are shown within the Comprehensive Income and Expenditure Statement.

This represents funding awarded for a specific purpose, such as the payment of Housing Benefit. This is reflected in the Comprehensive Income and Expenditure Statement under the Policy and Resources Committee and also within note 11.

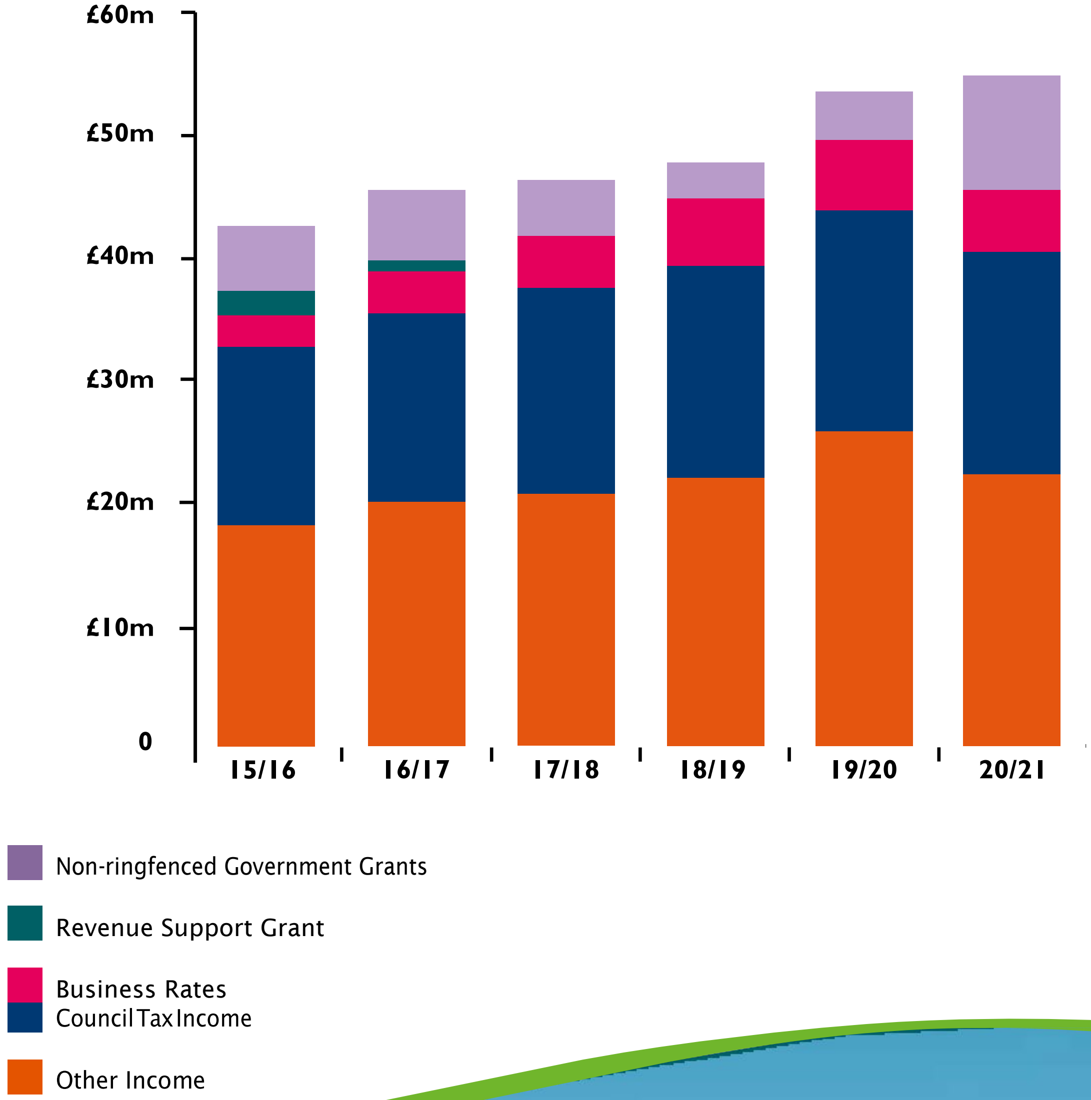
This category includes income transactions which the Council is required to make in order to comply with accounting standards, such as movements in investment property values. They are detailed within notes 9-11 to the Comprehensive Income and Expenditure Statement.

# Expenditure

Income retained by Maidstone is used to meet its statutory obligations - delivering services like refuse collection, and making transfer payments such as housing benefit – and to meet our strategic priorities.

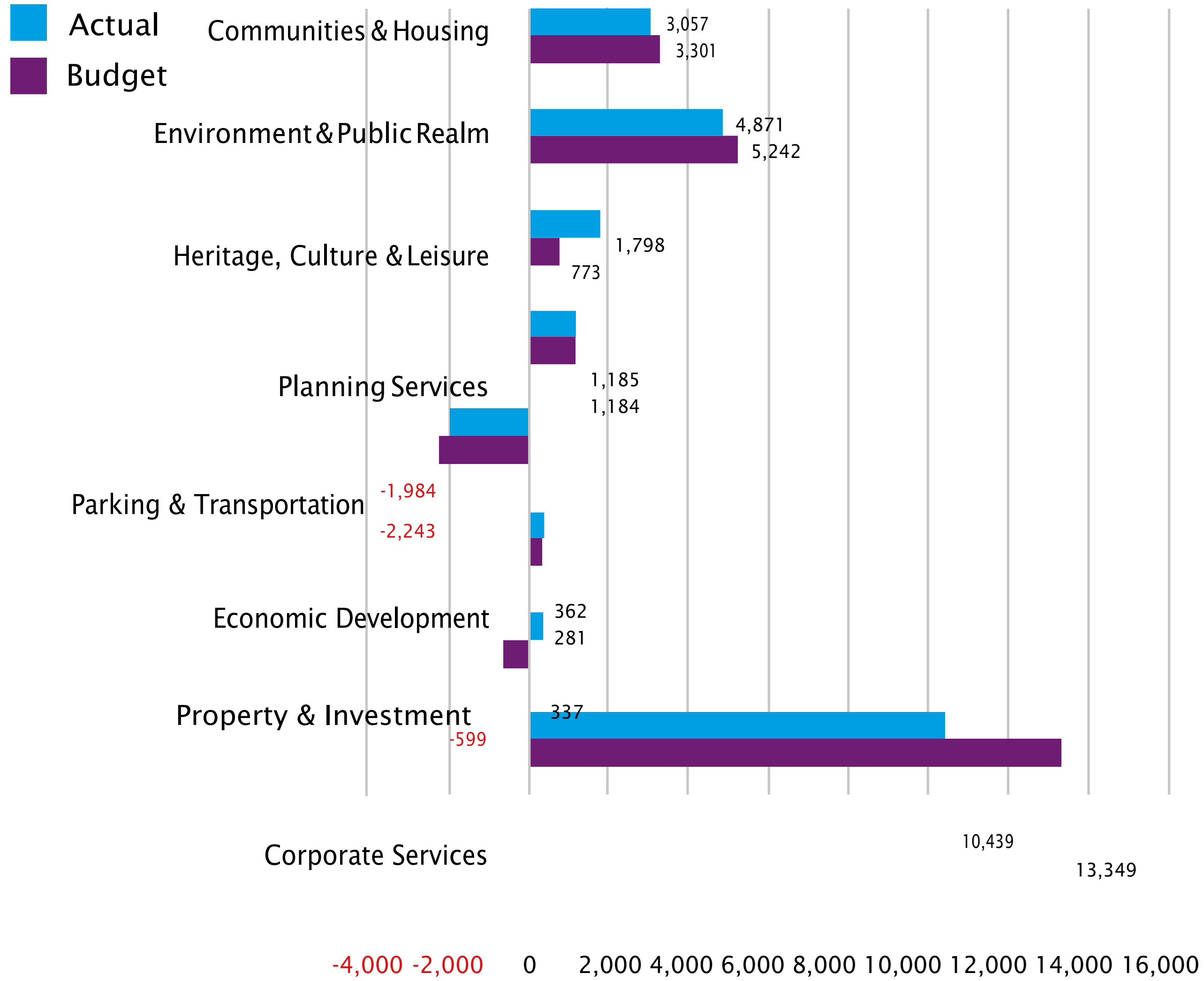
In a number of areas, the Council incurred additional expenditure in responding to the Covid-19 pandemic. At the same time, income on which the Council usually relies, particularly fees and charges for customers, was badly affected by the pandemic. However, the additional expenditure and reduction income was offset by mitigating underspends and by government grant. The outturn for the year was an overall underspend compared with the budget of £1.2 million (5.7%).

The Council following table shows how income in 2020/21 compares with previous years, and how central government funding has helped to offset the shortfall from our locally generated sources of income arising from Covid-19.




These sources of income are shown in note 10 to the Statement of Accounts, **Taxation & Non-Specific Grant Income**, and in the income totals for the relevant Committee in the **Comprehensive Income and Expenditure Statement**. The above figures do not include money received from central government that the council distributes purely as an agent, e.g. Local Restrictions Support Grant.

The table below compares income and expenditure with budget, and shows how the combined contribution of government grant and local mitigating action has more than offset the impact of Covid-19.




The Council's income and expenditure is show[…] in the Statement of Accounts.

## Balance Sheet

The Balance Sheet shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets reduced from £59.7 million to £45.3 million, mainly because of an increase in pension liabilities.

| 2019/20 £000 | | 2020/21 £000 |
|---|---|---|
| 110,175 | Property, Plant & Equipment | 113,480 |
| 10,393 | Heritage Assets | 10,433 |
| 30,222 | Investment Properties | 37,889 |
| 715 | Other Long Term Assets | 2,958 |
| 35,407 | Money owed to the Council | 39,229 |
| -46,378 | Money owed by the Council | -61,868 |
| -80,794 | Long Term Liabilities | -96,799 |
| **59,739** | **Net Assets** | **45,321** |
| 17,193 | Usable Reserves | 33,691 |
| 42,546 | Unusable Reserves | 11,630 |
| **59,739** | **Total Reserves** | **45,321** |

**Property, Plant and Equipment** Equipment are assets held by the Council to deliver services or for administrative purposes. The increase reflects capital expenditure during the year. Further details of capital expenditure are shown overleaf.

**Money owed to the Council** includes amounts receivable from debtors and cash balances, being cash in hand, bank deposits and investments that are readily convertible to cash. **The Cash Flow Statement** provides an analysis of the movement in cash during the course of the year.

## Balance Sheet (continued)

**Money owed by the Council** includes amounts payable to creditors, provisions for business rates appeals and grants received in advance. The Council currently has no long term borrowing.

**Usable reserves** include money set aside for specific purposes and sufficient contingency to cover unforeseen events. It includes funding of £13.595 million which will be required to cover a deficit on the Collection Fund, so in practice is not available for use by the Council.

**Unusable Reserves** will only become available at some future date, for example if assets are sold. Unusable reserves rose, reflecting the revaluations and change in pension liabilities described above.

Changes in Reserves are shown in the **Movement in Reserves Statement** in the Statement of Accounts.

## Capital Expenditure

Capital investment during the year was significantly less than planned, owing to Covid-19. Nevertheless, £20.1 million was spent during the year on delivering projects identified within the Council's capital programme.

These projects included:

- Expenditure on new housing developments at Union Street and Brunswick Street
- Purchase of properties for use as temporary accommodation for homeless people
- Construction of an Innovation Centre for growing businesses in the life science, healthcare and med-tech sectors
- Reinforcement of Mote Park Lake dam to reduce risk of flooding downstream

The Council has an ambitious capital programme for the coming five years, totaling £130 million. The largest element in the capital programme is the Council's housing and regeneration strategy. The programme will be funded both through New Homes Bonus receipts and other internal resources, and through external borrowing, in line with the regulatory requirement that such borrowing be affordable, prudent and sustainable.

| | **Actual** | **Five year plan** | | | | | |
|---|---|---|---|---|---|---|---|
| | **20/21** | **21/22** | **22/23** | **23/24** | **24/25** | **25/26** | **Total** |
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Housing Development and Regeneration | 4,997 | 18,336 | 19,111 | 12,611 | 14,537 | 9,958 | 74,553 |
| Temporary Accommodation | 1,406 | 2,526 | 1,560 | | | | 4,086 |
| Disabled Facilities Grants | 660 | 1,786 | 800 | 800 | 800 | 800 | 4,986 |
| Flood Action Plan | 7 | 200 | 200 | 200 | 200 | 150 | 950 |
| Mote Park Improvements | 1,068 | 3,455 | | | | | 4,490 |
| Property Investments | 6,075 | 12,833 | 3,000 | 2,500 | 2,500 | 2,500 | 40 |
| Kent Medical Campus Innovation Centre | 4,740 | 4,440 | | | | | 4,440 |
| Infrastructure delivery | 0 | 1,200 | 1,800 | 600 | 600 | 600 | 4,800 |
| Corporate Property | 270 | 1,487 | 175 | 175 | 175 | 175 | 2,187 |
| Biodiversity and Climate Change | 12 | 950 | | | | | 950 |
| Mall Bus Station | 84 | 690 | | | | | 690 |
| Garden Community | 308 | 340 | 465 | 425 | 425 | | 1,655 |
| Section 106 Contributions | 57 | 44 | 447 | 58 | 49 | 242 | 840 |
| Other | 439 | 769 | 759 | 370 | 370 | 370 | 2,638 |
| | 20,123 | 49,056 | 28,317 | 17,739 | 19,656 | 14,795 | 129,563 |

# RISK MANAGEMENT

The Council manages risk through a comprehensive risk management framework. This involves identification of risk at corporate and service levels, ownership of individual risks by named officers, development of controls to mitigate risks, and regular reporting. Quarterly reports are presented to the Corporate Leadership Team and bi-annual reports to Policy and Resources Committee. Members take an active interest in the risk management process and engage fully in discussion about individual risks.

The following table sets out what we have assessed as being the key corporate risks.

| Ranking | Risk description | Risk rating | |
|---|---|---|---|
| | | Inherent risk | After planned mitigations |
| 1 | Contraction in retail and leisure sectors | 25 | 20 |
| 2= | Resurgence of current Covid-19 pandemic | 20 | 16 |
| 2= | Environmental damage | 16 | 16 |
| 4 | Major emergency with national / international impact | 15 | 15 |
| 5= | Financial restrictions | 20 | 12 |
| 5= | Poor partner relationships | 16 | 12 |
| 5= | IT security failure | 12 | 12 |
| 8= | Housing pressures increasing | 12 | 9 |
| 8= | Not fulfilling residential property responsibilities | 12 | 9 |
| 8= | Short term impacts from end of Brexit transition period | 12 | 9 |
| 8= | Building of incomplete communities | 9 | 9 |
| 12= | Major project failure | 12 | 8 |
| 12= | Governance failures | 8 | 8 |
| 14= | Significant contract failure | 12 | 6 |
| 14= | Loss of community engagement | 12 | 6 |
| 14= | Not fulfilling commercial property responsibilities | 8 | 6 |
| 17 | Insufficient workforce capacity and skills | 4 | 4 |


## FUTURE PLANS

The focus of the Council is currently on supporting the community's recovery from the pandemic. It will do this by supporting resilience for communities and vulnerable people and by promoting economic recovery.

Before the onset of the Covid-19 pandemic, the Council's resources were very largely generated locally, with most of its income coming from Council Tax and other local sources, including parking, planning fees and property income. The recovery of these income sources depends on the pace of overall economic recovery, so in the meantime the Council will take care to balance the need to maintain an adequate level of reserves with the need to continue maintaining services to the public. Where one-of funding is made available by central government, the Council will seek to deploy this in ways that generate a lasting benefit for the borough.

The Council's capital programme is intended to support local public services and to help the Council achieve its strategic priorities for the borough. The Council plans to continue investing through the capital programme, to the extent that investments are sustainable in terms of our ability to fund interest payments and ultimately repayment of capital, and provided that resources are available, whether through Public Works Loan Board borrowing or other sources of finance.

MAIDSTONE
Borough Council

# STATEMENT OF ACCOUNTS 2020/21

# STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

## The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Council, that officer is the Director of Finance & Business Improvement.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

## The Director of Finance & Business Improvement's Responsibilities

The Director of Finance & Business Improvement is responsible for the preparation of the Council's Statement of Accounts in accordance with proper practices as set out in the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom (the Code).

In preparing this Statement of Accounts, the Director of Finance & Business Improvement has:

- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Director of Finance & Business Improvement has also:

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

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

**Signed:**

Mark Green, Director of Finance & Business Improvement

**Date:** 14th November 2022

# PRIMARY STATEMENTS

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

## For the years ending 31st March 2020 & 2021

| 2019/20 (Restated) | | | | 2020/21 | | |
|---|---|---|---|---|---|---|
| **Gross Expenditure £000** | **Gross Income £000** | **Net Expenditure £000** | **Committee (See note below)** | **Gross Expenditure £000** | **Gross Income £000** | **Net Expenditure £000** |
| 53,508 | (45,833) | 7,675 | Policy & Resources | 48,675 | (45,932) | 2,743 |
| 21,374 | (9,787) | 11,587 | Communities, Housing & Environment | 25,433 | (12,591) | 12,842 |
| 6,279 | (2,280) | 3,999 | Economic, Regeneration & Leisure | 12,146 | (6,731) | 5,415 |
| 8,112 | (6,816) | 1,296 | Strategic Planning & Infrastructure | 8,589 | (4,991) | 3,598 |
| **89,273** | **(64,717)** | **24,556** | **Cost Of Services** | **94,844** | **(70,246)** | **24,598** |
| | | 1,698 | Other Operating Expenditure (Note 10) | 2,392 | | 2,392 |
| | | (666) | Financing and Investment Income and Expenditure (Note 11) | 3,785 | (36) | 3,749 |
| | | (27,747) | Taxation and Non-Specific Grant Income and Expenditure (Note 12) | | (33,064) | (33,064) |
| | | **(2,158)** | **(Surplus) or Deficit on Provision of Services** | | | **(2,324)** |
| | | | **Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services** | | | |
| | | (5,567) | (Surplus) or deficit on revaluation of property, plant & equipment assets | | | 3,512 |
| | | (2,068) | Remeasurement of the Net Defined Benefit Liability | | | 13,225 |
| | | **(7,636)** | **Other Comprehensive Income and Expenditure** | | | **16,737** |
| | | **(9,793)** | **Total Comprehensive Income and Expenditure** | | | **14,413** |

# MOVEMENT IN RESERVES STATEMENT

## For the years ending 31st March 2020 & 2021

| **Current Year** | **General Fund Balance Unallocated £000** | **Earmarked GF Balances £000** | **Capital Receipts Reserve £000** | **Total Usable Reserves £000** | **Unusable Reserves £000** | **Total Reserves £000** |
|---|---|---|---|---|---|---|
| **Balance at 1st April 2020** | 8,821 | 7,820 | 552 | 17,193 | 42,544 | 59,737 |
| **Movement in Reserves during 2020/21** | | | | | | |
| Total Comprehensive Income and Expenditure | 2,324 | 0 | 0 | 2,324 | (16,737) | (14,413) |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | 14,365 | (90) | (93) | 14,182 | (14,183) | (1) |
| Movements between Reserves | (15,235) | 15,225 | 0 | (10) | 10 | (0) |
| **Increase or Decrease in 2020/21** | **1,454** | **15,135** | **(93)** | **16,496** | **(30,910)** | **(14,414)** |
| **Balance at 31st March 2021** | **10,275** | **22,955** | **459** | **33,691** | **11,632** | **45,323** |

| **Comparative Year** | **General Fund Balance £000** | **Earmarked GF Balances £000** | **Capital Receipts Reserve £000** | **Total Usable Reserves £000** | **Unusable Reserves (Restated) £000** | **Total Reserves £000** |
|---|---|---|---|---|---|---|
| **Balance at 1st April 2019** | 9,231 | 5,828 | 598 | 15,657 | 34,287 | 49,944 |
| **Movement in Reserves during 2019/20** | | | | | | |
| Total Comprehensive Income and Expenditure | 2,158 | | 0 | 2,158 | 7,635 | 9,793 |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | (265) | | (49) | (314) | 314 | 0 |
| Movements between Reserves | (2,302) | 1,992 | | (310) | 310 | (0) |
| **Increase or Decrease in 2019/20** | **(409)** | **1,992** | **(49)** | **1,537** | **8,259** | **9,793** |
| **Balance at 31st March 2020** | **8,821** | **7,820** | **549** | **17,193** | **42,544** | **59,737** |

The statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the statutory general fund balance movements in the year following those adjustments.

# BALANCE SHEET

## As at 31st March 2020 & 2021

| 1st April 2019 (Restated) £000 | 31st March 2020 (Restated) £000 | | Notes | 31st March 2021 £000 |
|---|---|---|---|---|
| 77,912 | 110,174 | Property, Plant & Equipment | 18 | 113,479 |
| 28,408 | 30,221 | Investment Property | 19 | 37,889 |
| 10,393 | 10,393 | Heritage Assets | 20 | 10,433 |
| 564 | 654 | Intangible Assets | | 818 |
| 2,000 | 0 | Long Term Investments | 21 | 0 |
| 83 | 62 | Long Term Debtors | 24 | 2,141 |
| 119,360 | 151,503 | **Long Term Assets** | | 164,760 |
| 2,000 | 0 | Short Term Investments | 21 | 2,000 |
| 1,879 | 7,242 | Inventories | 23 | 5,153 |
| 19,654 | 17,138 | Short Term Debtors | 24 | 17,913 |
| 11,184 | 11,028 | Cash & Cash Equivalents | 25 | 14,163 |
| 34,717 | 35,407 | **Current Assets** | | 39,229 |
| 0 | 341 | Bank Overdraft | 25 | 3,380 |
| 0 | 11,000 | Short Term Borrowing | 21 | 11,000 |
| 22,347 | 29,377 | Short Term Creditors | 26 | 41,503 |
| 1,559 | 1,164 | Provisions | 27 | 1,511 |
| 521 | 517 | Deferred Liability | 29 | 537 |
| 4,723 | 3,979 | Capital Grants Receipts in Advance | 16 | 3,937 |
| 29,150 | 46,379 | **Current Liabilities** | | 61,868 |
| 966 | 1,400 | Provisions | 27 | 1,652 |
| 2,536 | 2,020 | Deferred Liability | 29 | 1,483 |
| 0 | 3,696 | Capital Grants Receipts in Advance | 16 | 3,880 |
| 71,481 | 73,677 | Net Pension Liability | 33 | 89,783 |
| 74,983 | 80,794 | **Long Term Liabilities** | | 96,799 |
| **49,944** | **59,739** | **Net Assets** | | **45,321** |
| 15,659 | 17,193 | Usable Reserves | 8 | 33,691 |
| 34,285 | 42,546 | Unusable Reserves | 31 | 11,630 |
| **49,944** | **59,739** | **Total Reserves** | | **45,321** |

Opening balances reflect adjustments to the Property, Plant and Equipment and Inventory lines following identification of a prior period error. Full details are disclosed within note 3.

# CASHFLOW STATEMENT

| 2018/19 (Restated) £000 | 2019/20 (Restated) £000 | | Notes | 2020/21 £000 |
|---|---|---|---|---|
| (1,553) | (4,179) | Net (surplus) or deficit on the provision of services | | (2,324) |
| (7,189) | (3,254) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | **35** | (22,082) |
| 2,179 | 6,372 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities | **36** | 8,603 |
| (6,563) | (1,061) | **Net cash flows from Operating activities** | | (15,804) |
| 4,008 | 19,725 | Investing Activities | **37** | 19,614 |
| 1,616 | (18,168) | Financing Activities | **38** | (3,906) |
| (939) | 496 | **Net increase or decrease in cash & cash equivalents** | | (96) |
| (10,244) | (11,184) | Cash & cash equivalents at the beginning of the reporting period | | (10,687) |
| **(11,184)** | **(10,687)** | **Cash & cash equivalents at the end of the reporting period** | | **(10,783)** |

Opening balances reflect adjustments to Cash Flows from Operating and Investing Activities following identification of a prior period error. Full details are disclosed within note 3.

# NOTES TO THE ACCOUNTS

## 1 – EXPENDITURE & FUNDING ANALYSIS

## For the years ending 31st March 2020 & 2021

| 2019/20 Net Expenditure Chargeable to the General Fund £000 | 2019/20 Adjustments between the Funding and Accounting Basis £000 | 2019/20 Net Expenditure in the Comprehensive Income & Expenditure Statement £000 | Committee (See note) | 2020/21 Net Expenditure Chargeable to the General Fund £000 | 2020/21 Adjustments between the Funding and Accounting Basis £000 | 2020/21 Net Expenditure in the Comprehensive Income & Expenditure Statement £000 |
|---|---|---|---|---|---|---|
| 11,603 | (3,927) | 7,676 | Policy & Resources | 10,192 | (7,557) | 2,635 |
| 12,985 | (1,398) | 11,587 | Communities, Housing & Environment | 8,769 | 4,072 | 12,841 |
| 1,889 | 2,109 | 3,999 | Economic, Regeneration & Leisure | 2,880 | 2,643 | 5,523 |
| (473) | 1,769 | 1,296 | Strategic Planning & Infrastructure | 1,251 | 2,347 | 3,598 |
| **26,004** | **(1,446)** | **24,557** | **Net Cost Of Services** | **23,092** | **1,505** | **24,598** |
| (28,430) | 1,713 | (26,717) | Other Income & Expenditure | (11,053) | (15,870) | (26,923) |
| **(2,427)** | **267** | **(2,160)** | **(Surplus) or Deficit** | **12,040** | **(14,365)** | **(2,325)** |
| | | 15,056 | Opening General Fund Balance | | | 16,640 |
| | | 576 | Less/Plus (Surplus) or Deficit on General Fund Balance in Year | | | (14,265) |
| | | **16,640** | **Closing General Fund Balance at 31st March** | | | **33,231** |

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

## NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

| | Adjustments between Funding & Accounting Basis 2020/21 | | | |
|---|---|---|---|---|
| **Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts** | **Adjustments for Capital Purposes (Note i) £000** | **Net Change for Pensions Adjustments (Note ii) £000** | **Other Differences (Note iii) £000** | **Total Adjustments £000** |
| Policy & Resources | (2,172) | 1,687 | (7,072) | **(7,557)** |
| Communities, Housing & Environment | 1,591 | | 2,481 | **4,072** |
| Economic, Regeneration & Leisure | 1,315 | | 1,328 | **2,643** |
| Strategic Planning & Infrastructure | 703 | | 1,644 | **2,347** |
| **Net Cost of Services** | **1,438** | **1,687** | **(1,620)** | **1,505** |
| Other income and expenditure from the Expenditure & Funding Analysis | (6,341) | (1,687) | (7,842) | **(15,871)** |
| **Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services** | **(4,904)** | **0** | **(9,464)** | **(14,366)** |

| | Adjustments between Funding & Accounting Basis 2019/20 | | | |
|---|---|---|---|---|
| **Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts** | **Adjustments for Capital Purposes (Note i) £000** | **Net Change for Pensions Adjustments (Note ii) £000** | **Other Differences (Note iii) £000** | **Total Adjustments £000** |
| Policy & Resources | 1,481 | 1,673 | (7,081) | **(3,927)** |
| Communities, Housing & Environment | (3,898) | | 2,501 | **(1,397)** |
| Economic, Regeneration & Leisure | 1,842 | | 267 | **2,109** |
| Strategic Planning & Infrastructure | 105 | | 1,664 | **1,770** |
| **Net Cost of Services** | **(470)** | **1,673** | **(2,649)** | **(1,446)** |
| Other income and expenditure from the Expenditure & Funding Analysis | (1,551) | (1,673) | 4,937 | **1,713** |
| **Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services** | **(2,021)** | **0** | **2,288** | **267** |

**Note i – Adjustments for Capital Purposes**

- This column adjusts the service committees for the statutory adjustments put through in respect of depreciation, amortisation of intangible assets, revenue funding from capital under statute, and other capital charges.

**Note ii – Net Charge for Pensions Adjustments**

- This column adjusts the service committees for the statutory adjustments put through in respect of IAS 19 Employee Benefits pension related income and expenditure.

**Note iii – Other Differences**

- This column adjusts the service committees for various recharges such as accommodation, telephones, staff recharges and IT recharges as when they are reported they only include direct costs.

## EXPENDITURE AND INCOME ANALYSED BY NATURE

| | 2019/20 (Restated) £000 | 2020/21 £000 |
|---|---|---|
| **Expenditure** | | |
| Employee Benefit Expenses | 24,354 | 22,762 |
| Other Services Expenses | 84,723 | 92,766 |
| Depreciation, Amortisation, Impairment | 4,294 | 9,310 |
| Interest Payments | 135 | 153 |
| Precepts & Levies | 1,936 | 282 |
| **Total Expenditure** | **115,441** | **125,274** |
| **Income** | | |
| Fees, Charges &Other Service Income | (27,239) | (25,871) |
| Interest & Investment Income | (217) | (36) |
| Income from Council Tax & NDR | (43,821) | (43,191) |
| Government Grants & Contributions | (43,343) | (54,611) |
| Gain/(Loss) on the Disposal of Assets | (2,980) | (3,887) |
| **Total Income** | **(117,599)** | **(127,597)** |
| **(Surplus) or Deficit on the Provision of Services** | **(2,158)** | **(2,323)** |

Within the line for Fees, Charges & Other Service Income there are some receipts accounted for under IFRS 15, which recognises revenue from contracts with service recipients. The amount recognised within this line is as follows:

| Service Area | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Accommodation | (405) | (512) |
| Central Services | (1,596) | (807) |
| Cultural & Related Services | (748) | (308) |
| Environment & Regulatory Services | (3,699) | (4,104) |
| Housing Services | (1,563) | (1,503) |
| Other Services | (1,499) | (833) |
| Other Support Services | (2,351) | (2,329) |
| Parking Services | (4,275) | (2,443) |
| Planning Services | (2,927) | (2,754) |
| Property Services | (2,636) | (3,997) |
| **Fees, Charges & Other Service Income** | **(21,699)** | **(19,590)** |

## 2 - ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations (England) 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2020/21, supported by International Financial Reporting Standards (IFRS).

The following accounting concepts have been given precedence in the preparation of the accounts:

- Going concern
- Primacy of legislative requirements

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

### Revenue Recognition

In accordance with IFRS 15, revenue is accounted for at the point at which services are delivered to service recipients, not necessarily when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

- Accruals are recognised where the value exceeds £10,000.

**Income from Council Tax and Non-Domestic (Business) Rates:**

Revenue relating to council tax and business rates is measured at the full amount receivable (net of any impairment losses) as they are non-contractual, non-exchange transactions. Revenue is recognised when it is probable that the economic benefits of the transaction will flow to the Council and the amount of revenue can be measured reliably.

The council tax and business rate income included in the CIES is the accrued income for the year, which consists of:

- The Council’s council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and
- The Council’s share of the actual council tax and business rate surplus or deficit on the Collection Fund at the end of the current year, adjusted for the Council’s share of the surplus or deficit on the fund at the preceding year end that has not been distributed or recovered in the current year.

The latter is not required by regulation to be credited to the General Fund and so is taken to the Collection Fund Adjustment Account and included as a reconciling item in the Movement in Reserves Statement on the General Fund balance.

The Council as billing authority recognises a creditor in its balance sheet for cash collected from taxpayers and businesses on behalf of major preceptors but not yet paid to them, or a debtor for cash paid to major preceptors.

**Overheads & Support Services**

The costs of support services and overheads are charged to those that benefit from the supply or service in accordance with the absorption costing principle.

The full cost of overheads and support services is shared between users in proportion to the benefits received.

**Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors**

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

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

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

**Value Added Tax**

VAT payable is included as an expense only to the extent that it is not recoverable from Her Majesty's Revenue & Customs. VAT receivable is excluded from income.

Further accounting policies can be found throughout these accounts with the notes to which they relate.

**ROUNDING**

It is not the Council's policy to adjust for immaterial cross -casting differences between the main statements and disclosure notes.

## 3 – PRIOR PERIOD ADJUSTMENT

a) **Nature of the prior period error**

While preparing the financial statements for the year to 31 March 2021, it was identified that expenditure totaling £6.063m had been incorrectly classified as Assets Under Construction within the previous two accounting periods. The expenditure relates to elements of the capital programme at Brunswick and Union Street, whereby a proportion of the residential properties constructed on these sites were intended for disposal to a local provider of affordable housing, or through private sale on the open market. Since the expenditure relates to the construction of assets intended for disposal, the appropriate balance sheet classification during construction is Inventory, rather than Assets Under Construction. Since the sums involved are considered material to the financial statement, a prior period adjustment has been made to reclassify the expenditure accordingly.

In addition a number of capital contributions relating to Brunswick Street were recognised prior to completion of the project.

It was also identified that a number of properties included in Property, Plant & Equipment – Assets Under Construction were in fact Investment Properties. The value of these properties was £5.394m. These have been transferred from Property, Plant & Equipment to Investment Properties on the Balance Sheet, with the relevant notes also adjusted accordingly.

**b) Amount of correction for each financial statement line item affected**

Movements within the financial statement opening balances relating to the prior period error are summarised below:

**Balance Sheet**

| Restated balance at 1 April 2019 £000 | Balance Sheet line item affected | Original balance disclosed at 31 March 2020 £000 | Restated balance at 31 March 2020 £000 | Value of correction 31 March 2020 £000 |
|---|---|---|---|---|
| 77,912 | Property, Plant & Equipment | 124,200 | 110,174 | 14,026 |
| 28,408 | Investment Properties | 23,270 | 30,221 | (6,951) |
| **119,360** | **Non-current assets total** | **158,579** | **151,503** | **7,075** |
| 1,879 | Inventory | 166 | 7,242 | (7,075) |
| **34,717** | **Current assets total** | **27,991** | **35,066** | **(7,075)** |
| 4,723 | Capital Grants Received in Advance | 5,656 | 7,675 | (2,021) |
| 49,944 | **Net Assets** | 61,758 | 59,739 | 2,021 |

This adjustment reclassifies expenditure from Property, Plant and Equipment to Investment Properties and Inventory.

**Cash Flow Statement**

| **Corrected balance at 1 April 2019 £000** | **Cash Flow Statement line item affected** | **Original balance disclosed at 31 March 2020 £000** | **Corrected balance at 31 March 2020 £000** | **Value of correction 31 March 2020 £000** |
|---|---|---|---|---|
| (7,189) | Adjustment to net surplus or deficit on the provision of services for non-cash movements | (10,329) | (3,254) | 7,075 |
| **(6,563)** | **Net Cash Flows from Operating Activities** | **(8,136)** | **(1,061)** | **7,075** |
| 4,008 | Investing Activities | 26,800 | 19,725 | (7,075) |
| **(939)** | **Net increase or decrease in cash & cash equivalents** | **496** | **496** | **0** |

This adjustment reclassifies cash flows which had previously been shown within Investing Activities to Operating Activities.

## 4 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- A comprehensive review of all property leases was undertaken at the end of 2017/18 to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.

- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.

- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.

- A judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.

- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.

- As a wholly owned subsidiary of the council, Maidstone Property Holdings Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However, the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.

- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor

Park. The Council recharges the cost of providing these services to Cobtree Manor Park but does not seek to generate a surplus from the arrangement.

- In the latter part of the year 2019/20 the Covid-19 pandemic had a profound impact across service areas, businesses and the wider community testing the Council's business continuity planning arrangements. It will, in all likelihood, also have a significant adverse impact on the Council's finances and, in turn, reserve balances. This is discussed in more detail in the Narrative Report.
  There will be numerous issues that will impact on local authorities as a result of the Covid-19 pandemic. Specific areas within the financial statements include:

  - Valuation uncertainty in respect of property, plant and equipment, investment property and heritage assets.

  - Pension Fund Assets and Liabilities – The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Further information relating to the pension scheme can be found in Note 32.

  - Collectability of debt – It is likely that Covid-19 containment measures will result in an adverse impact on the Council's ability to collect debt. The impairment allowances for doubtful debts have been reviewed and increased in light of this risk. Further information can be found in Note 23.

## 5 - ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

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

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

| Balance | Source of Uncertainty | Effect if actual results differ from assumptions |
|---|---|---|
| **Property valuations** | Property valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties.<br><br>The Council's external valuers provided valuations for the Council's entire investment portfolio and a proportion of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values were reflective of current appropriate values.<br><br>Valuations have been undertaken in accordance with the latest professional guidance.<br><br>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers. | A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £8.6m. This would not impact on the general fund balance.<br><br>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement. |

| Balance | Source of Uncertainty | Effect if actual results differ from assumptions |
|---|---|---|
| **Fair Value of Investment Property** | The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available. | Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.<br><br>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £2.6m. This would not impact on the general fund balance. |
| **Depreciation** | Assets are depreciated over useful lives which are based on the level of repairs and maintenance that will be incurred in relation to individual assets. If current spending on repairs and maintenance were to be reduced, this could affect a change to useful lives assigned to the assets. | Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. Furthermore, if the useful life of assets is reduced the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.4m for every year that useful lives had to be reduced. |
| **Pensions Liability** | Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. | • A 0.1% increase in the discount rate will reduce the net pension liability by £4.4m;<br>• A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £3.9m; |

| Balance | Source of Uncertainty | Effect if actual results differ from assumptions |
|---|---|---|
| | The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The ongoing impact of the Covid19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2021 are difficult to value according to preferred accounting policy. | • An increase of one year in longevity will increase the net pension liability by £10.5m. |
| **Arrears** | At 31st March 2021 the Council had a balance of sundry debtors for £15m. A review of significant balances suggested that an impairment allowance for bad debts of £5.3m was appropriate. The calculation of this estimate is specific to the different classes of debtor but is generally based on the age of the debt and likelihood of recoverability. Uncertainty remains as to whether or not such an allowance will be sufficient to cover non-payment of these debts. | If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2.6m to be set aside as an allowance. |
| **Non-Domestic Rates Appeals** | The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £6.4m has therefore been created to recognise current and backdated appeals. The council’s share of the provision of £2.5m is reflected on the balance sheet. This is deemed to be appropriate as it is | If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.636m would be required overall, and the council’s share of the provision would increase by £0.254m. |

| Balance | Source of Uncertainty | Effect if actual results differ from assumptions |
|---|---|---|
| | based on a detailed analysis of information provided by the VOA.<br><br>There is uncertainty regarding the value of potential losses against the 2017 valuation list. A provision of 2.1p per pound of rateable value is reflected in the above total.<br><br>These calculations are made with reference to information supplied by an external advisor, Analyse Local.<br><br>Uncertainty exists as to whether or not the provision will be sufficient to cover refunds made following successful rateable value appeals, or whether the current provision is excessive. | |
| **Brexit** | The UK stopped being a member of the European Union (EU) at 23:00 GMT on 31 January 2020. However, significant uncertainty remains concerning the UK's future relationship with the EU. Current assumptions underlying asset valuations and pensions liability assume no significant impact from Brexit. | Depending on the circumstances of Britain's departure from the EU, it is possible that asset values may fall and/or that assumptions underlying the assessment of pensions liabilities may alter. |

## 6 - ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. An authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. The additional disclosures that will be required in the 2021/22 financial statements in respect of accounting changes that are introduced in the 2021/22 Code are:

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

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

The implementation of IFRS 16 Leases has been deferred by another year. This means the effective date for implementation is now 1 April 2022, which would impact the statements in 2022/23.

## 7 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

This note details the adjustments that are made to total comprehensive income and expenditure recognised by the Council in the year in accordance with proper accounting practice to the resources that are specified by statutory provisions as being available to the Council to meet future capital and revenue expenditure.

### General Fund Balance

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

### Capital Receipts Reserve

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

## Capital Grants Unapplied

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

| **2020/21** | **Usable Reserves** | |
|---|---|---|
| | **General Fund balance £000** | **Capital Receipts Reserve £000** |
| **Adjustments to the Revenue Resources** | | |
| Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements: | | |
| Pensions Costs (transferred to (or from) the Pensions Reserve) | 2,881 | |
| Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account) | 13,069 | |
| Holiday Pay (transferred to the Accumulated Absences Account) | (5) | |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 13,325 | |
| **Total Adjustments to Revenue Resources** | **29,269** | **0** |
| **Adjustments between Revenue and Capital Resources** | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (3,535) | 3,554 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (517) | |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (5,801) | |
| **Total Adjustments between Revenue and Capital Resources** | **(9,853)** | **3,554** |
| **Adjustments to Capital Resources** | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | (3,647) |
| Application of capital grants to finance capital expenditure | (5,051) | |
| **Total Adjustments to Capital Resources** | **(5,051)** | **(3,647)** |
| **Total Adjustments** | **14,365** | **(93)** |

| 2019/20 Comparative Figures | Usable Reserves | |
|---|---|---|
| | General Fund balance £000 | Capital Receipts Reserve £000 |
| **Adjustments to the Revenue Resources** | | |
| Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements: | | |
| Pensions Costs (transferred to (or from) the Pensions Reserve) | 4,264 | |
| Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account) | (910) | |
| Holiday Pay (transferred to the Accumulated Absences Account) | (5) | |
| Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account) | 5,316 | |
| **Total Adjustments to Revenue Resources** | **8,665** | **0** |
| **Adjustments between Revenue and Capital Resources** | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,384) | 1,963 |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account) | (520) | |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account) | (4,636) | |
| **Total Adjustments between Revenue and Capital Resources** | **(6,540)** | **1,963** |
| **Adjustments to Capital Resources** | | |
| Use of the Capital Receipts Reserve to finance capital expenditure | | (2,012) |
| Application of capital grants to finance capital expenditure | (2,390) | |
| **Total Adjustments to Capital Resources** | **(2,390)** | **(2,012)** |
| **Total Adjustments** | **(265)** | **(49)** |

## Accounting Policy – Charges to Revenue for Non-Current Assets

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

- Depreciation attributable to the assets used by the relevant service
- Revaluation & impairment losses on assets used by the service where there are no accumulated gains in the Revaluation Reserve against which the losses can be written off.
- Amortisation of intangible non-current assets attributable to the service

The Council is not required to raise council tax to fund depreciation, revaluation and impairment losses or amortisation.

## 8 – EARMARKED RESERVES

Within the General Fund balance of £33.231m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

| | 31st March 2020 £000 | Contributions to/from Balances £000 | 31st March 2021 £000 |
|---|---|---|---|
| Local Plan Review | 309 | (309) | 0 |
| Neighbourhood Planning | 75 | 21 | 96 |
| Planning Appeals | 286 | | 286 |
| Trading Accounts | 32 | | 32 |
| Civil Parking Enforcement | 164 | (8) | 155 |
| Future Capital Expenditure | 431 | 700 | 1,131 |
| Future Funding Pressures | 1,589 | (618) | 970 |
| Homelessness Prevention & Temporary Accommodation | 681 | 92 | 773 |
| Business Rates Earmarked Balances | 3,887 | (113) | 3,774 |
| Occupational Health & Safety | 31 | (31) | 0 |
| Lockmeadow Complex | 335 | (335) | (0) |
| Funding for Future Collection Fund Deficits | 0 | 14,739 | 14,739 |
| Commercial Risk | 0 | 500 | 500 |
| Invest to Save | 0 | 500 | 500 |
| **Total Earmarked Reserves** | **7,820** | **15,138** | **22,958** |
| Unallocated Balances | 8,819 | 1,454 | 10,273 |
| **Total General Fund Reserves** | **16,638** | **16,592** | **33,231** |

**Description of Earmarked Reserves:**

**Local Plan Review** – this is funding set aside to support the review of the Local Plan, due to be completed in 2022.

**Neighbourhood Planning** – this is funding from central government to support the production of local Neighbourhood Plans.

**Trading Accounts** – these are ring-fenced surpluses from trading areas within the Council that by statute can only be used within these areas.

**Planning Appeals –** This reserve was created as a contingency for potential costs of future planning appeals. This is in addition to the provision held for costs relating to known appeals.

**Civil Parking Enforcement** – These are ring-fenced surpluses from the on-street parking for re-investment within parking services.

**Housing Prevention & Temporary Accommodation** – These are government grants will be used to fund homelessness prevention initiatives and a sinking fund for temporary accommodation repairs and maintenance.

**Future Capital Expenditure –** These are funds set-aside from balances for use on future capital projects.

**Future Funding Pressures –** This reserve holds funds set aside as contingency for future local government funding reforms.

**Business Rates Growth** – these are locally retained rates from the Kent Business Rates Pool and 2018/19 100% Pilot, which will be used to support local initiatives including the delivery of economic development activity.

**Occupational Health & Safety –** This reserve was created to hold funding set aside in case the need should arise to make a prosecution under occupational health and safety legislation. It replaces the annual budget previously held for this purpose.

**Lockmeadow Complex –** This reserve contains amounts set aside for smoothing of rental income from the Lockmeadow complex, based on projected annual fluctuations over the medium term.

**Funding for Future Collection Fund Deficits –** This reserve has been created to offset the impact of collection fund deficits on future revenue budgets.

**Commercial Risk & Invest to Save –** These amounts were previously set aside within the general fund balance, but not formally earmarked. The Commercial Risk reserve is an allowance intended to preserve the general fund balance in the event of major contract failure. The Invest to Save reserve is a fund to enable projects which will unlock future revenue savings to be delivered. It is intended that the savings would first be used to replenish the reserve before being recognised within the budget.

## Accounting Policy - Reserves

The Council sets aside specific amounts as reserves for future policy purposes or to cover contingencies. Reserves are created by appropriating amounts out of the General Fund Balance in the Movement in Reserves Statement. When expenditure to be financed from a reserve is incurred, it is charged to the appropriate service in that year to score against the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement. The reserve is then appropriated back into the General Fund Balance in the Movement in Reserves Statement so that there is no net charge against council tax for the expenditure.

The Council has created a series of Earmarked Reserves to manage more effectively the resources set aside for specific activities.

Certain reserves are kept to manage the accounting process for non-current assets, retirement and employee benefits and do not represent usable resources for the Council – these reserves are explained in the relevant policies.

## 9 - MATERIAL ITEMS OF INCOME & EXPENSE

There are no material items of income and expenditure that are not detailed in the notes below. Materiality is defined as 2% of prior gross year expenditure for the Council, which is the figure used for the purposes of the annual external audit of the Statement of Accounts. That figure is £1.7m for 2020/21.

## 10 - OTHER OPERATING EXPENDITURE

These are corporate items of income and expenditure that cannot reasonably be allocated or apportioned to services.

| | 2019/20<br>£000 | 2020/21<br>£000 |
|---|---|---|
| Parish Council precepts | 1,936 | 2,130 |
| Levies | 116 | 120 |
| (Gains)/losses on the disposal of non-current assets | (355) | 142 |
| | **1,698** | **2,392** |

## 11 - FINANCING AND INVESTMENT INCOME & EXPENDITURE

These are corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest and investment properties.

| | 2019/20<br>£000 | 2020/21<br>£000 |
|---|---|---|
| Interest payable and similar charges | 134 | 152 |
| Net Interest on the Net Defined Benefit Liability | 1,673 | 1,687 |
| Interest receivable and similar income | (217) | (36) |
| Income & Expenditure in relation to investment properties and changes in their fair value | (2,256) | 1,946 |
| | **(666)** | **3,749** |

## 12 - TAXATION & NON-SPECIFIC GRANT INCOMES

This note consolidates all the grants and contributions receivable, including those that cannot be identified to particular service expenditure.

| Credited to Taxation & Non Specific Grant Income | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Council tax income | 18,180 | 18,994 |
| Income from Retained Business Rates | 21,918 | 24,160 |
| Tariff Payable | (19,028) | (19,339) |
| Levy Payable | (110) | (70) |
| Covid-19 Grants | 0 | 4,846 |
| Non-ringfenced Government Grants | 6,788 | 4,472 |
| **Total** | **27,747** | **33,064** |
| **Credited to Services** | | |
| Housing Benefit Subsidy | 38,958 | 36,898 |
| Non-Domestic Rates - Cost of Collection | 205 | 205 |
| Council Tax Administration | 148 | 146 |
| Covid-19 Grants | 0 | 5,736 |
| Other Grants | 1,695 | 1,817 |
| **Total** | **41,005** | **44,802** |

In 2020/21 Income from Retained Business Rates has benefited from the Council's participation in the Kent Business Rates Pool, as explained in note 2 to the Collection Fund Statement.

Covid 19 grants received during 2020/21 include £4.9m funding for discretionary business support grants, £2.5m unringfenced government grant, £2.3m sales, fees and charges compensation as well as funding for new burdens and specific grants from the Department of Health and Social Care to support the Council's Covid-19 response.

### Accounting Policy – Government Grants & Contributions

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

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

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

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

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

## 13 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2020/21 totalled £359,191 (£359,506 in 2019/20).

The Council also produces a statement, in accordance with provision 1021 – 15(3) of the Local Authorities (Members Allowance) (England) Regulations 2003, giving details of allowances paid to Members for the year. This can be viewed on the Council's website:

http://www.maidstone.gov.uk/home/primary-services/council-and-democracy/additional-areas/budgets-and-spending/tier-3/councillor-allowances#councillor_allowances

## 14 – OFFICERS REMUNERATION

The remuneration paid to the Council's senior employees is as follows:

| **2020/21** | **Salary (Including Fees)** £000 | **Other Payments, Allowances & Benefits in Kind** £000 | **Total Remuneration excluding Pension Contributions** £000 | **Pension Contributions** £000 | **Total Remuneration including Pension Contributions** £000 |
|---|---|---|---|---|---|
| Chief Executive | 134 | 3 | **137** | 24 | **161** |
| Director of Finance & Business Improvement | 106 | 1 | **107** | 19 | **125** |
| Director of Regeneration & Place | 106 | 1 | **107** | 19 | **125** |
| Director of Mid-Kent Services | 97 | 1 | **99** | 17 | **115** |

| 2019/20 | Salary (Including Fees) £000 | Other Payments, Allowances & Benefits in Kind £000 | Total Remuneration excluding Pension Contributions £000 | Pension Contributions £000 | Total Remuneration including Pension Contributions £000 |
|---|---|---|---|---|---|
| Chief Executive | 148 | 3 | **150** | 21 | **171** |
| Director of Finance & Business Improvement | 105 | 1 | **106** | 15 | **121** |
| Director of Regeneration & Place | 105 | 1 | **106** | 15 | **121** |
| Director of Mid-Kent Services | 94 | 1 | **96** | 13 | **109** |

Senior Officers are defined as those who sit on the Corporate Leadership Team. There are no other officers who report directly to the Chief Executive and receive more than £50,000 remuneration for the year.

The Chief Executive receives additional remuneration to reflect her role as the Council's Returning Officer during elections.

The Director of Mid-Kent Services is jointly funded with Swale and Tunbridge Wells Borough Councils, each making equal contributions. Therefore, Maidstone's share of the salary is one-third of the value above (£36,000).

The Monitoring Officer (Head of Mid Kent Legal Services) also sits on the Corporate Leadership Team but is paid by Swale Borough Council. Details of her remuneration are therefore within their accounts.

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

| Remuneration Banding | 2019/20 No. of Employees | 2020/21 No. of Employees |
|---|---|---|
| £50,000 - £54,999 | 8 | 5 |
| £55,000 - £59,999 | 5 | 6 |
| £60,000 - £64,999 | 5 | 5 |
| £65,000 - £69,999 | 3 | 3 |
| £70,000 - £74,999 | 2 | 2 |
| £75,000 - £79,999 | 2 | 2 |
| £80,000 - £84,999 | 2 | 2 |
| £85,000 - £89,999 | 1 | 1 |
| £90,000 - £94,999 | 0 | 0 |

### Exit Packages

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

| Exit Package Cost Band (including special payments) | Number of compulsory redundancies | | Number of other departures agreed | | Total number of exit packages by cost band | | Total cost of exit packages in each band | |
|---|---|---|---|---|---|---|---|---|
| | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 | 2019/20 | 2020/21 |
| | | | | | | | £000 | £000 |
| £0 - £20,000 | 4 | 1 | 2 | 2 | 6 | 3 | 36 | 16 |
| £20,001 - £40,000 | 1 | 0 | 0 | 0 | 1 | 0 | 24 | 0 |
| £40,001 - £80,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £80,001 - £100,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| £100,001 - £150,000 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **Total** | **5** | **1** | **2** | **2** | **7** | **3** | **60** | **16** |

## 15 - EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors, Grant Thornton UK LLP.

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 46 | 62 |
| Rebate from Public Sector Audit Appointments Ltd. | (5) | 0 |
| Fees payable for the certification of grant claims and returns during the year | 22 | 44 |
| **Total** | **63** | **106** |

The total proposed audit fee for the 2020/21 audit is £61,866. This represents the PSAA scale fee of £38,866. Additional fees of £23,000 were notified to the Audit, Governance and Standards committee in the Audit Plan in March 2021. This includes £14,500 which relates to the 2019/20 audit.

## 16 – CAPITAL GRANTS RECEIPTS IN ADVANCE

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

| | 2019/20 (Restated) £000 | 2020/21 £000 |
|---|---|---|
| **Balance at start of year:** | 4,723 | 7,676 |
| Grants Received | 5,439 | 6,885 |
| Transfers | 0 | (1,695) |
| Funding used for capital expenditure | (2,485) | (5,051) |
| **Balance at end of year:** | **7,676** | **7,817** |

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31st March 2022) £3.937m and long-term (expected to be used after 1st April 2023) £3.880m.

Grants received includes £0.739m capital receipts for the Union Street housing development. These receipts cannot be recognised and used until the development is completed in 2021/22 so are being held in this account until that point. The transfers figure includes £1.589m capital receipts for the Brunswick Street housing development being recognised as capital receipts as that development was completed in 2020/21.

The majority of the balance (£3.956m) relates to Section 106 monies held by the Council for future use. There is also a further £2.0m held for disabled facilities grants which is an ongoing area of work for the Council.

**Capital Grants Unapplied** – This is for grants and contributions received where conditions have been met but expenditure has yet to be incurred. The amount of grants and contributions held that meet this criteria is not material and therefore they are all accounted for as part of Capital Grants Received in Advance.

## 17 - RELATED PARTIES

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

## Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework within which the Council operates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 1 – the Expenditure & Funding Analysis.

## Members and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2020/21 is shown in Note 12.

All Members and Senior Officers were required to complete a declaration of interests that included details of any finance-related transactions with the Council. There were no declarations of significance.

The following officers are Directors of Maidstone Property Holdings Limited, which is a wholly owned subsidiary of the Council.

- Director of Regeneration and Place
- Head of Housing and Community Services
- Head of Commissioning & Business Improvement, Transformation & Digital Services
- Principal Lawyer - Commercial

The Balance Sheet as at 31st March 2021, reflects £138,340 (2019/20, £169,094) which is payable from Maidstone Property Holdings Limited to Maidstone Borough Council, relating to income and expenditure for the 2020/21 financial year.

## 18 - PROPERTY, PLANT & EQUIPMENT

### Movements on Balances

| Movements in 2020/21 | Infrastructure Assets £000 | Land & Buildings £000 | Plant, Machinery & Equipment £000 | Vehicles £000 | IT & Office Equipment £000 | Community Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuations** | | | | | | | | |
| At 1st April 2020 | 5,073 | 94,621 | 16,956 | 1,751 | 4,460 | 3,701 | 2,391 | **128,955** |
| Additions | 1,149 | 5,738 | 489 | 273 | 55 | 298 | 8,304 | **16,306** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | (5,130) | 0 | 0 | 0 | 0 | 0 | **(5,130)** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | (4,301) | 0 | 0 | 0 | 0 | 0 | **(4,301)** |
| Derecognition of assets | 0 | (79) | (62) | (100) | (53) | 0 | 0 | **(294)** |
| Other movements in cost or valuation | 0 | 250 | (305) | 55 | 0 | 0 | 0 | **0** |
| At 31st March 2021 | **6,222** | **91,099** | **17,078** | **1,979** | **4,462** | **3,999** | **10,695** | **135,536** |
| | | | | | | | | |
| **Accumulated Depreciation & Impairment** | | | | | | | | |
| At 1st April 2020 | (3,638) | (3,868) | (7,137) | (785) | (3,350) | 0 | 0 | **(18,779)** |
| Depreciation charge | (291) | (3,033) | (1,021) | (350) | (397) | 0 | 0 | **(5,092)** |
| Depreciation written out to the Revaluation Reserve | 0 | 1,620 | 0 | 0 | 0 | 0 | 0 | **1,620** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition of assets | 0 | 0 | 62 | 81 | 53 | 0 | 0 | **196** |
| At 31st March 2021 | **(3,929)** | **(5,281)** | **(8,096)** | **(1,054)** | **(3,694)** | **0** | **0** | **(22,055)** |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| **At 31st March 2021** | **2,293** | **85,818** | **8,982** | **925** | **768** | **3,999** | **10,695** | **113,480** |
| At 31st March 2020 | 1,435 | 90,746 | 9,779 | 959 | 1,161 | 3,701 | 2,391 | **110,172** |

| Movements in 2019/20 | Infrastructure Assets £000 | Land & Buildings £000 | Plant, Machinery & Equipment £000 | Vehicles £000 | IT & Office Equipment £000 | Community Assets £000 | Assets Under Construction £000 | Total Property, Plant & Equipment £000 |
|---|---|---|---|---|---|---|---|---|
| **Cost or Valuations** | | | | | | | | |
| At 1st April 2019 | 4,352 | 67,137 | 13,898 | 1,544 | 4,825 | 3,436 | 3,148 | **98,342** |
| Additions | 517 | 23,681 | 1,128 | 869 | 92 | 265 | 2,287 | **28,839** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 3,241 | 0 | 0 | 0 | 0 | 0 | **3,241** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | (261) | 0 | 0 | 0 | 0 | 0 | **(261)** |
| Rerecognition of Assets | 0 | (351) | (857) | (662) | (458) | 0 | (16) | **(2,344)** |
| Other movements in cost or valuation | 204 | 1,172 | 2,787 | 0 | 0 | 0 | (3,028) | **1,135** |
| At 31st March 2020 | 5,073 | 94,619 | 16,956 | 1,751 | 4,459 | 3,701 | 2,391 | **128,952** |
| | | | | | | | | |
| **Accumulated Depreciation & Impairment** | | | | | | | | |
| At 1st April 2019 | (3,375) | (4,007) | (6,889) | (1,106) | (3,269) | 0 | 0 | **(18,646)** |
| Depreciation charge | (263) | (2,208) | (985) | (296) | (407) | 0 | 0 | **(4,159)** |
| Depreciation written out to the Revaluation Reserve | 0 | 2,343 | 0 | 0 | 0 | 0 | 0 | **2,343** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | **0** |
| Derecognition of Assets | 0 | 0 | 697 | 609 | 378 | 0 | 0 | **1,684** |
| At 31st March 2020 | (3,638) | (3,872) | (7,177) | (793) | (3,298) | 0 | 0 | **(18,778)** |
| | | | | | | | | |
| **Net Book Value** | | | | | | | | |
| **At 31st March 2020** | **1,435** | **90,746** | **9,779** | **959** | **1,161** | **3,701** | **2,391** | **110,172** |
| At 31st March 2019 | 979 | 63,125 | 7,010 | 439 | 1,556 | 3,433 | 6,763 | **83,306** |

As Land & Buildings form the most significant element of Property, Plant & Equipment a more detailed analysis of the assets is shown in the table below, sub-totalled by asset class.

| **Analysis of Land & Buildings Movements 2020/21** | **Car Parks** £000 | **Cemetery & Crematorium** £000 | **Depots, Workshops & Toolsheds** £000 | **Entertainment Complex** £000 | **Halls & Pavilions** £000 | **Housing** £000 | **Land** £000 | **Leisure Centres & Pools** £000 | **Markets** £000 | **Museums & Galleries** £000 | **Parks & Open Spaces** £000 | **Public Conveniences** £000 | **Residential / Commercial** £000 | **Theatres** £000 | **Town Hall** £000 | **Buildings** £000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Cost or Valuations** | | | | | | | | | | | | | | | | |
| At 1st April 2020 | 16,047 | 2,181 | 1,960 | 22,500 | 3,760 | 12,569 | 285 | 8,056 | 1,720 | 12,465 | 473 | 1,680 | 4,824 | 4,952 | 1,150 | **94,621** |
| Additions | | 3 | | 4,150 | 4 | 1,514 | 63 | | | | | | | | 4 | **5,738** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (2,957) | | | (1,644) | | 9 | | (165) | 0 | (1,165) | 970 | (179) | | | | **(5,130)** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (595) | | | (3,574) | | (131) | | | | | | | | | | **(4,301)** |
| Derecognition of Assets | | | | (79) | | | | | | | | | | | | **(79)** |
| Other movements in cost or valuation | | | | | | | | | | | 250 | | | | | **250** |
| **At 31st March 2021** | **12,495** | **2,184** | **1,960** | **21,353** | **3,764** | **13,961** | **347** | **7,891** | **1,720** | **11,300** | **1,693** | **1,501** | **4,824** | **4,952** | **1,154** | 91,099 |
| **Accumulated Depreciation & Impairment** | | | | | | | | | | | | | | | | |
| At 1st April 2020 | 12 | (23) | 17 | (150) | (788) | (1,499) | (39) | (51) | (15) | (78) | (93) | (405) | (720) | (29) | (7) | **(3,868)** |
| Depreciation charge | | (38) | (38) | (450) | (361) | (1,076) | | (149) | (27) | (236) | (56) | (101) | (392) | (90) | (18) | **(3,033)** |
| Depreciation written out to the Revaluation Reserve | | | | 600 | | | | 199 | | 315 | | 506 | | | | **1,620** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | | | | | | | | | | | | | | | | **0** |
| Other movements in cost or valuation | | | | | | | | | | | | | | | | **0** |
| At 31st March 2021 | 12 | (61) | (21) | 0 | (1,149) | (2,575) | (39) | (2) | (42) | 1 | (149) | (0) | (1,112) | (119) | (25) | **(5,281)** |
| **Net Book Value** | | | | | | | | | | | | | | | | |
| **At 31st March 2021** | **12,507** | **2,123** | **1,940** | **21,353** | **2,615** | **11,386** | **308** | **7,889** | **1,678** | **11,301** | **1,544** | **1,501** | **3,712** | **4,833** | **1,129** | **85,818** |
| At 31st March 2020 | 16,059 | 2,158 | 1,978 | 22,350 | 2,972 | 11,062 | 246 | 8,005 | 1,705 | 12,387 | 380 | 1,275 | 4,103 | 4,923 | 1,143 | 90,751 |

| **Analysis of Land & Buildings Movements 2019/20** | **Car Parks** | **Cemetery & Crematorium** | **Depots, Workshops & Toolsheds** | **Entertainment Complex** | **Halls & Pavilions** | **Housing** | **Land** | **Leisure Centres & Pools** | **Markets** | **Museums & Galleries** | **Parks & Open Spaces** | **Public Conveniences** | **Residential / Commercial** | **Theatres** | **Town Hall** | **Buildings** |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Cost or Valuations** | | | | | | | | | | | | | | | | |
| At 1st April 2019 | 15,562 | 2,197 | 1,855 | 0 | 3,726 | 9,515 | 197 | 8,561 | 1,059 | 12,303 | 473 | 1,680 | 4,671 | 4,277 | 1,057 | **67,133** |
| Additions | | 101 | 8 | 20,288 | 34 | 3,051 | | 36 | | 93 | | | 17 | 26 | 26 | **23,681** |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 775 | (81) | | 1,077 | | 385 | 88 | (541) | 661 | 70 | | | 99 | 709 | 0 | **3,241** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | | (36) | 97 | | | (377) | | | | (1) | | | | | 66 | **(252)** |
| Derecognition of Assets | (290) | | | | | | | | | | | | | | | |
| Other movements in cost or valuation | | | | 1,135 | | | | | | | | | 37 | | | **1,172** |
| **At 31st March 2020** | **16,047** | **2,181** | **1,960** | **22,500** | **3,760** | **12,573** | **285** | **8,056** | **1,720** | **12,465** | **473** | **1,68** | | | | |
| | | | | | | | | | | | | | | | | |
| Accumulated Depreciation & Impairment | | | | | | | | | | | | | | | | |
| At 1st April 2019 | 12 | (269) | (75) | | (427) | (1,271) | (39) | (68) | (63) | (679) | (18) | (304 | | | | |
| Depreciation charge | | (20) | (13) | (150) | (361) | (966) | | (50) | (13) | (79) | (75) | (101 | | | | |
| Depreciation written out to the Revaluation Reserve | | 266 | 106 | | | 730 | | 66 | 61 | 680 | | | 503 | (117) | 48 | **2,343** |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | | | | | | | | | | | | | | | | **0** |
| **Other movements in cost or valuation** | | | | | | | | | | | | | | | | |
| At 31st March 2020 | 12 | (23) | 17 | (150) | (788) | (1,506) | (39) | (51) | (15) | (78) | (93) | (405 | | | | |
| | | | | | | | | | | | | | | | | |
| Net Book Value | | | | | | | | | | | | | | | | |
| **At 31st March 2020** | **16,059** | **2,158** | **1,978** | **22,350** | **2,972** | **11,067** | **246** | **8,005** | **1,705** | **12,387** | **380** | **1,27** | | | | |
| At 31st March 2019 | 15,574 | 1,928 | 1,780 | 0 | 3,299 | 8,244 | 158 | 8,493 | 996 | 11,623 | 455 | 1,376 | 3,794 | 4,395 | 1,008 | 63,124 |

Opening balances reflect adjustments to the Property, Plant and Equipment and Inventory lines following identification of a prior period error. Full details are disclosed within note 3.

Community Assets have all previously been revalued at £1 each, in accordance with the accounting policy set out below. The Code of Practice on Local Authority Accounting requires Community Assets to be recorded on the Balance Sheet at Historic Cost. Due to the age and nature of many of the Community Assets it is not possible to ascertain an accurate historical cost, but expenditure incurred is now added to the value of the asset. Any expenditure on Community Assets was previously written off as Revenue Expenditure charged to Capital under Statute.

The Code of Practice also requires that material classes of assets within Property, Plant & Equipment are now valued together and disclosed separately within the Statement, and this analysis is shown in the table on the previous page.

## Capital Commitments

As at 31st March 2021 the Council had the following capital commitments:

| **Project** | **£000** |
|---|---|
| Union Street housing development * | 108 |
| Brunswick Street housing development * | 147 |
| Springfield Mill housing development | 1,144 |
| Mall Bus Station * | 936 |
| Kent Medical Campus - Innovation Centre * | 1,249 |
| Mote Park Visitor Centre | 2,590 |

The figures for schemes marked with an asterisk are net of committed external funding that the Council will receive.

## Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at current value is revalued at least every 5 years. All valuations were carried out externally by Harrisons Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 31st March 2021 in accordance with the requirements of the Code of Practice and are considered to be materially accurate at the Balance Sheet date.

The table also shows the historic cost values of the various asset classes, which were established at 1st April 2007 when the current capital accounting requirements came into force.

| | Infrastructure Assets £000 | Community Assets £000 | Land & Buildings £000 | Plant, Machinery & Equipment £000 | Vehicles £000 | IT & Office Equipment £000 | Assets Under Construction £000 | Total £000 |
|---|---|---|---|---|---|---|---|---|
| Carried at historical cost | 6,222 | 3,999 | 422 | 17,078 | 1,979 | 4,462 | 10,695 | **44,857** |
| Valued at current value as at: | | | | | | | | |
| 31st March 2017 | | | 0 | | | | | **0** |
| 31st March 2018 | | | 9,218 | | | | | **9,218** |
| 31st March 2019 | | | 4,225 | | | | | **4,225** |
| 31st March 2020 | | | 20,208 | | | | | **20,208** |
| 31st March 2021 | | | 57,026 | | | | | **57,026** |
| Total Cost or Valuation | **6,222** | **3,999** | **91,099** | **17,078** | **1,979** | **4,462** | **10,695** | **135,535** |

## Accounting Policy – Property, Plant & Equipment

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

### Recognition

Expenditure on the acquisition, creation or enhancement of Property, Plant & Equipment is capitalised on an accruals basis in the accounts, provided that the asset value is over £10,000 and yields benefits to the Council and the services it provides, for a period of more than one year. This excludes expenditure on routine repairs and maintenance of non-current assets which is charged directly to service revenue accounts.

### Measurement

Assets are initially measured at cost, comprising:

- The purchase price
- Any costs attributable to bringing the asset to the location and condition necessary for it to be capable of operating in manner intended by management.

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

- Infrastructure, Community Assets and Assets Under Construction - Depreciated Historical Cost
- All other assets – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at current value are re-valued sufficiently regularly to ensure that their carrying amount is not materially different from their fair value at the year-end, but as a minimum every 5 years. Increases in valuations are matched by credits to the Revaluation Reserve to recognise unrealised gains. (Exceptionally, gains might be credited to the Comprehensive Income & Expenditure Statement where they arise from the reversal of a loss previously charged to a service.)

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

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

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

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

**Impairment**

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

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

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

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

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

**Depreciation**

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer. The useful lives range from 4 to 50 years.

- Vehicles, Plant, Furniture & Equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.

- Infrastructure - straight-line allocation over 20 years.

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

## 19 - INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Rental income from investment property | (2,315) | (2,961) |
| Direct operating expenses arising from investment property | 940 | 994 |
| **Net gain/(loss)** | **(1,375)** | **(1,967)** |

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

| | Investment Properties £000 | Assets Under Construction £000 | 2019/20 £000 | Investment Properties £000 | Assets Under Construction £000 | 2020/21 £000 |
|---|---|---|---|---|---|---|
| Balance at start of the year | 23,014 | 5,394 | 28,408 | 23,270 | 6,951 | 30,221 |
| Additions | 14 | 8,912 | 8,926 | 2,027 | 7,241 | 9,267 |
| Transfers | (854) | (7,356) | (8,210) | | (2,000) | (2,000) |
| Net gains/losses from fair value adjustments | 1,096 | | 1,096 | 400 | | 400 |
| **Balance at end of year** | **23,270** | **6,951** | **30,221** | **25,697** | **12,192** | **37,889** |

During the year the Wren Industrial Estate in Maidstone was acquired by the Council.

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

The fair value for the council's investment property portfolio has been based on the market approach using current market conditions and recent sales or lettings evidence and other relevant information for similar assets in Maidstone Borough, or other suitably comparable locations. Where appropriate, adjustments have been made to the comparable evidence to relate these directly to the subject properties. Market conditions are such that similar properties are actively sold or let and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

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

## Accounting Policy – Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the

Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

## Accounting Policy – Fair Value Measurement

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

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

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

The Council uses external valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

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

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

Level 3 – unobservable inputs for the asset or liability.

## 20 – HERITAGE ASSETS: RECONCILIATION OF THE CARRYING VALUE HELD BY THE COUNCIL

| Cost or Valuation | Museum Exhibits £000 | War Memorials £000 | Statues & Sculptures £000 | Other Items £000 | Total Assets £000 |
|---|---|---|---|---|---|
| 1st April 2020 | 9,090 | 480 | 515 | 308 | 10,393 |
| Additions | | | | 40 | 40 |
| Disposals | | | | | 0 |
| **31st March 2021** | **9,090** | **480** | **515** | **348** | **10,433** |
| 1st April 2019 | 9,090 | 480 | 515 | 308 | 10,393 |
| Additions | | | | | 0 |
| Disposals | | | | | 0 |
| **31st March 2020** | **9,090** | **480** | **515** | **308** | **10,393** |

**Museum Exhibits**

The exhibits are held in two main locations, the Maidstone Museum & Bentlif Art Gallery, and the Carriage Museum. Further information on the museums and their collections can be seen on their dedicated website:

https://museum.maidstone.gov.uk/

The total of £9.090m represents those items that have formally been valued as at 1st April 2011 for insurance purposes by a number of reputable auction houses. The value of the total collection is likely to be far higher, and is valued for insurance purposes at £17.0m (which includes items on loan to the Council, and those held in Trust at the Museum), but it is considered that it would not be cost-effective or of any significant benefit to formally value the entire collection. The value is reviewed on an annual basis for insurance purposes.

**War Memorials**

The Council is responsible for two war memorials, one in the Broadway and the other in Brenchley Gardens. A local stone mason has provided a replacement value for the two memorials. Upkeep and maintenance of the memorials is the responsibility of the Council’s Property Services section.

**Statues and Sculptures**

There are a number of statues and sculptures throughout the borough that the Council are responsible for. These are in a number of locations, and have been valued at their purchase cost, where this is known, although none of them individually have a significant value.

**Other Items**

This relates to three items, the civic regalia used by the Mayor, the ‘Elemental’ art installation on the bridge across the River Medway, and a new piece of public art (a metal sculpture of a dinosaur) installed outside Maidstone East station as part of the recent public realm project. The civic regalia have been valued by a local jeweller for insurance purposes, and the art installation and the new installation have been valued at purchase cost.

**Listed Buildings and Other Heritage Assets**

The Old College complex, comprising the Gateway, the Master’s Tower and the Quarterdeck has been classified as a heritage asset. However due to the age and nature of the buildings it is not possible to ascertain an accurate valuation.

In addition the Council owns a number of other assets. These have not been valued as it would not be cost-effective in terms of time and financial resources to do so. These include the balance of the museum exhibits referenced earlier in this note.

## Accounting Policy – Heritage Assets

**Tangible Heritage Assets (described in this summary of significant accounting policies as heritage assets)**

The Council's Heritage Assets are held principally for their contribution to knowledge and/or culture. Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses and impairments) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, and the valuation methods applied are as follows:

- Replacement Cost
- Purchase Cost
- Insurance Valuation

Where it is considered impractical (in terms of cost and/or benefit) to obtain a valuation there is no requirement to do so, but any assets that are treated in this way must be disclosed in the Heritage Assets note.

## 21 - FINANCIAL INSTRUMENTS

### Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

### Financial Liabilities:

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Interest is charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement.

### Financial Assets:

The Council regularly holds the following financial instruments at amortised cost:

- Deposits with financial institutions and local authorities
- Money Market Funds; and
- Service Loans.

The Council also maintains a continuously 'rolling' portfolio of Debtors (also held at amortised cost).

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

| | Long-term | | Short-Term | |
|---|---|---|---|---|
| | 31st March 2020 £000 | 31st March 2021 £000 | 31st March 2020 £000 | 31st March 2021 £000 |
| **Treasury Investments** | | | | |
| Financial assets at amortised cost | 0 | 0 | 11,025 | 16,160 |
| **Debtors** | | | | |
| Financial assets at amortised cost | 0 | 37 | 10,630 | 10,589 |
| **Loans** | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 11,000 | 11,000 |
| **Creditors** | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 13,926 | 16,160 |
| **Other Long Term Liabilities** | | | | |
| Finance Lease Liabilities at amortised cost | 2,020 | 1,483 | 517 | 537 |

On the face of the Balance Sheet, Financial Assets are held at Amortised Cost where the business model for the Council is to collect contractual cash flows. £3m of Treasury Investments are held by a local authority, with the remaining £13.16m invested in notice and call accounts. The Council has no long-term treasury funds invested at the year end. Debtors includes two service loans to third parties, Kent Savers £25k Long Term and One Maidstone £30k (Business Improvement District Levy). The Council has no long-term debtors, and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has taken out short term loans with other local authorities of £11m. £7m was required to fund the purchase of the Lockmeadow Leisure Complex back in 2019, the remaining £4m is funding other areas of the Council's capital programme. All loans during the year have been rolled over short term due to the fact that short term rates are at all time lows.

Other Long-Term Liabilities relates to the services concession arrangement between the Council and Serco, the managing contractor of Maidstone Leisure Centre. Details of this arrangement are discussed within 27 – Private Finance Initiatives & Similar Contracts.

The current financial liabilities are all due to be settled within one year.

## Income & Expense

| | Long-term | | Short-Term | |
|---|---|---|---|---|
| | 31st March 2020 £000 | 31st March 2021 £000 | 31st March 2020 £000 | 31st March 2021 £000 |
| **Income:** | | | | |
| Financial assets at amortised cost | 0 | 0 | 208 | 30 |
| Other Interest | 0 | 0 | 9 | 6 |
| **Total** | **0** | **0** | **217** | **36** |
| **Expenditure:** | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 24 | 38 |
| **Total** | **0** | **0** | **24** | **38** |

## Expected Credit Loss Model

The Council considers the potential for credit losses on financial assets held at amortised cost either on a 12-month basis, where risk has not increased significantly or remains low, or lifetime basis, where risk has increased significantly (Simplified model - Debtors only). An exception is:

- Deposits with local authorities – credit losses are not recognised for deposits held with central Government or other local authorities due to statutory provisions (the Local Government Act 2003), which prevent default.
- Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default (triggering a credit loss) on their obligations.
- With regard to Debtors, an Impairment Allowance for Bad Debts (IABD) is applied annually based on a set of assumptions on the collectability of external debts based on past experience and future expectations.

Inputs to the measurement techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than those quoted prices, that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

All valuations on Council's financial assets and liabilities uses level 2.

The accounts are required to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

The fair value of investments is shown in the table below with the level in the fair value hierarchy.

| | 31st March 2020 | | Fair Value | 31st March 2021 | |
|---|---|---|---|---|---|
| | **Book Value £000** | **Fair Value £000** | **Level** | **Book Value £000** | **Fair Value £000** |
| **Financial Assets** | | | | | |
| Long Term Investments | 0 | 0 | 2 | 0 | 0 |
| Short Term Investments (less than 1 yr) | 11,056 | 11,056 | 2 | 16,177 | 16,177 |
| **Financial Liabilities** | | | | | |
| Short Term Loans with other LAs | 11,024 | 11,025 | 2 | 11,003 | 11,004 |

## 22 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These are set out in the Council's Treasury Management Practices, which are a requirement of CIPFA's Treasury Management Code of Practice, which has been adopted by the Council. Treasury Management indicators have also been set to control key financial instruments risks in accordance with CIPFA's Prudential Code. The Treasury Management Practices can also be viewed on the Council's website.

### Treasury Management Strategy 2020/21

A summary of the main points of the strategy is as follows:

- to utilise cash balances rather than loan debt to finance the capital programme in the short term, due to low investment returns and high counterparty risk in the current economic climate;
- to further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments are considered. Greater use of Local Authority investments will be sought due to the high security of the borrower which enables investment over a longer period where funds are not required immediately.

### Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

There are no credit limits set on the Council's customers, as the amounts involved are not considered sufficiently material to warrant the setting of such limits.

As at 31st March 2021 investments were held with the following institutions:

| | **31st March 2020 £000** | **31st March 2021 £000** |
|---|---|---|
| AAA rated Institutions | 5,025 | 0 |
| AA+ rated Institutions | 0 | 0 |
| AA rated Institutions | 0 | 2,280 |
| AA- rated Institutions | 3,000 | 2,880 |
| A+ rated Institutions | 1,000 | 8,000 |
| A rated Institutions | 0 | 0 |
| A- rated Institutions | 0 | 0 |
| BBB+ rated Institutions | 0 | 0 |
| Unrated Local Authorities | 2,000 | 3,000 |
| UK Government | 0 | 0 |
| **Total** | **11,025** | **16,160** |

### Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes. However, provision has also been made with the current Treasury Management Strategy to have an authorised debt limit of £66.68m to fund on-going schemes in the event of projected capital receipts not being realised.

### Refinancing and Maturity Risk

The Council maintains a significant debt and investment portfolio. Whilst the cash flow procedures above are considered against the refinancing risk procedures, longer-term risk to the Council relates to managing the exposure to replacing financial instruments as they mature. This risk relates to both the maturing of longer-term financial liabilities and longer term financial assets.

The approved treasury indicator limits for the maturity structure of debt and the limits placed on investments placed for greater than one year in duration are the key parameters used to address this risk. The Council approved treasury and investment strategies address the main risks and the central treasury team address the operational risks within the approved parameters. This includes:

- monitoring the maturity profile of financial liabilities and amending the profile through either new borrowing or the rescheduling of the existing debt; and
- monitoring the maturity profile of investments to ensure sufficient liquidity is available for the Council's day to day cash flow needs, and the spread of longer term investments to provide stability of maturities and returns in relation to the longer term cash flow needs.

### Market Risk – Interest Rate Risk

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

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

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

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk exposure is summarised in the table below:

| | 31st March 2020 £000 | 31st March 2021 £000 |
|---|---|---|
| **Investments** | | |
| Notice accounts/Money market funds | 9,025 | 13,160 |
| Fixed term deposits with other local authorities | 2,000 | 3,000 |
| | 11,025 | 16,160 |
| **Borrowings** | | |
| Short term loans with local authorities | 11,000 | 11,000 |

## Foreign Exchange Risk

The Council has no financial assets or liabilities denominated in foreign currencies and thus has no exposure to loss arising from movements in exchange rates.

## 23 – INVENTORIES

| | Property acquired or constructed for sale | | Other inventory items | | Total | |
|---|---|---|---|---|---|---|
| | 2019/20 £000 | 2020/21 £000 | 2019/20 £000 | 2020/21 £000 | 2019/20 £000 | 2020/21 £000 |
| Balance outstanding at start of year | 1,782 | 7,074 | 97 | 166 | 1,879 | 7,240 |
| Purchases | 5,292 | 2,001 | 335 | 361 | 5,627 | 2,362 |
| Recognised as an expense in the year | | (4,096) | (266) | (353) | (266) | (4,449) |
| | | | | | 0 | 0 |
| **Balance outstanding at year-end** | **7,074** | **4,979** | **166** | **174** | **7,240** | **5,153** |

Opening balances reflect adjustments to the Property, Plant and Equipment and Inventory lines following identification of a prior period error. Full details are disclosed within note 3.

## 24 – SHORT AND LONG TERM DEBTORS

### Short Term Debtors

| | 2019/20 (Restated) £000 | 2020/21 £000 |
|---|---|---|
| Central government bodies | 739 | 1,675 |
| Other local authorities | 6,903 | 7,843 |
| Other entities and individuals | 14,449 | 14,845 |
| **Total** | **22,090** | **24,363** |

### Allowance for Bad Debts

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Excess Charges Impairment Allowance | 817 | 1,184 |
| Sundry Bad Debts Impairment Allowance | 4,134 | 5,265 |
| **Total** | **4,952** | **6,449** |

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £18.151m.

Other entities and individuals within Short Term Debtors are broken down as follows:

| | 2019/20 (Restated) £000 | 2020/21 £000 |
|---|---|---|
| Council Tax payers | 1,204 | 1,534 |
| Business Rate payers | 1,470 | 1,938 |
| Capital debtors | 560 | 1,022 |
| General debtors | 9,507 | 8,119 |
| Payments in Advance | 575 | 802 |
| Other miscellaneous amounts | 1,133 | 1,430 |
| **Total** | **14,449** | **14,845** |

Following a reanalysis of the other entities and individuals figures the 2019/20 comparators have been adjusted.

### Long Term Debtors

Part of the debtors balance with other Local Authorities (£2.1m) has been classified as a long term debtor for 2020/21, due to the requirement to spread collection fund deficits with preceptors over three years. This means that two thirds of the 'exceptional' balance calculated for spreading purposes will not be recovered from preceptors until 2022/23 and 2023/24.

## 25 - CASH & CASH EQUIVALENTS

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

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Cash held by the Council | 3 | 3 |
| Bank current accounts | (341) | (3,380) |
| Short-term deposits | 11,025 | 14,160 |
| **Total** | **10,687** | **10,783** |

### Accounting Policy – Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Currently, due to the requirement of funding for its liabilities, £14.16m of Council investments are classified as cash and cash equivalents.

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

## 26 – CREDITORS

### Short Term

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Central government bodies | 4,960 | 13,171 |
| Other local authorities | 4,820 | 4,878 |
| Other entities and individuals | 19,598 | 23,453 |
| **Total** | **29,377** | **41,503** |

The movement in the balances for Central Government is a reflection of additional business grants and increase in income in advance.

The movement in other entities and individuals reflects an increase in Section 106 monies received from developers that will be passed onto other organisations, primarily Kent County Council and the NHS.

Other entities and individuals are broken down as follows:

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| General creditors | 2,423 | 4,200 |
| Capital creditors | 1,379 | 1,416 |
| Council tax payers | 193 | 0 |
| Business Rate payers | 220 | 0 |
| Receipts in advance | 5,259 | 7,293 |
| Deposits | 9,839 | 9,978 |
| Retentions | 285 | 566 |
| **Total** | **19,598** | **23,453** |

## 27 - PROVISIONS

### Provision for Appeals

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Business Rates Appeals - Current | 774 | 1,261 |
| Business Rates Appeals - Backdated | 1,355 | 1,283 |
| Planning Appeals | 261 | 261 |
| Other Provisions | 0 | 358 |
| **Total** | **2,391** | **3,163** |

The Council is required to account for the effect of Business Rates appeals which were previously borne by the national pool. The balance represents the Council's 40% share of the estimated current and backdated appeals.

A provision has also been established to allow for costs that could arise from potential planning appeals.

The provision is split between long-term and short-term liabilities on the Balance Sheet.

**Accounting Policy – Provisions**

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

Provisions are measured at best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

## 28 - TRUST FUNDS

The Cobtree Manor Estate is under the control of the Corporate Trustee (Maidstone Borough Council) and this note sets out details of the nature and amount of the trust funds. The object of this trust is to hold Cobtree Manor and Cobtree Manor Estate for the benefit of the inhabitants of Maidstone and other members of the general public.

The assets and liabilities of the Trust as at 31st March 2021 are summarised in the following table. The figures for 2019/20 are the audited figures, which differ from those in the 2019/20 Statement of Accounts, as the audit took place after that was published.

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| **Fixed Assets:** | | |
| Tangible Assets | 2,824 | 2,553 |
| Investment Property | 1,010 | 1,000 |
| Investments | 670 | 825 |
| | **4,505** | **4,378** |
| Current Assets | 247 | 500 |
| Current Liabilities | 73 | 284 |
| Creditors: Amounts falling due after more than one year | 232 | 135 |
| **Total assets less total liabilities** | **4,448** | **4,459** |
| **Total Charitable Funds** | **4,448** | **4,459** |

Gross expenditure in 2020/21 totalled £447,662 (£365,876 in 2019/20). Gross income in 2020/21 totalled £431,008 (£463,350 in 2019/20).

The accounts of the Trust are subject to a separate external audit.

## 29 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.

The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council are then repaying this loan over a 15 year term, by equal monthly instalments. The principal element of this loan is reflected on the Balance Sheet and will be written down annually by the amount of principal repaid. Interest paid on the loan is charged to the Comprehensive Income & Expenditure Statement.

The annual principal repayments are credited to the Comprehensive Income & Expenditure Statement, and then reversed out of the Movement in Reserves Statement to the Capital Adjustment Account to reflect the fact that this is a repayment of debt, as this arrangement is classed as borrowing under the terms of the CIPFA Prudential Code for Capital.

### Payments

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Balance outstanding at start of year | 3,057 | 2,537 |
| Repayment of principal | (520) | (517) |
| **Balance outstanding at end of year** | **2,537** | **2,020** |

These figures are shown on the face of the Balance Sheet as Deferred Liabilities and are split between the Short Term and Long Term elements.

### Accounting Policy – Deferred Liability

Deferred Liabilities are recognised under the terms of IFRIC 12 (IFRS Interpretations Committee) and the arrangement is recognised as a service concession and accounted for accordingly. This generally involves the grantor (the Council) conveying to the operator (Serco) for the period of the concession the right to provide services that give the public access to major economic and social facilities, in this instance Maidstone Leisure Centre.

### Accounting Policy – Minimum Revenue Provision

The Minimum Revenue Provision (MRP) is a statutory charge relating to the repayment of debt. It represents the Council's underlying need to borrow for capital expenditure. There is a general duty upon the Council to make an amount of MRP which it considers 'prudent'.

The Council has no borrowing but has identified that it has contractual arrangements that are classified as finance leases under the requirements of

IFRIC 4. The repayments under these leases therefore need to be treated as a borrowing arrangement. The MRP amount that is set aside is equivalent to the value of the annual principal repayments on the contracts.

## 30 – CAPITAL RECEIPTS RESERVE

This reserve contains the proceeds from the sale of non-current assets, which are used to fund capital expenditure, and forms part of the Usable Reserves section of the Movement in Reserves Statement. This section also includes Earmarked Reserves and the General Fund Balance.

| | 31st March 2020 £000 | 31st March 2021 £000 |
|---|---|---|
| **Balance at 1st April** | **597** | **549** |
| Capital Receipts Received | 1,963 | 1,968 |
| Transfers | 0 | 1,589 |
| Capital Receipts Applied | (2,012) | (3,647) |
| **Balance at 31st March** | **549** | **459** |

The transfers figure represents capital receipts for the Brunswick Street housing development being recognised as that development was completed in 2020/21. These are being transferred from the Capital Grants Received in Advance account where they were held pending completion of the development.

## 31 - UNUSABLE RESERVES

| | 31st March 2020 £000 | 31st March 2021 £000 |
|---|---|---|
| Revaluation Reserve | 44,240 | 40,883 |
| Capital Adjustment Account | 72,176 | 73,743 |
| Deferred Capital Receipts Reserve | 8 | 7 |
| Pensions Reserve | (73,677) | (89,783) |
| Collection Fund Adjustment Account | (26) | (13,036) |
| Accumulated Absences Account | (174) | (182) |
| **Total Unusable Reserves** | **42,544** | **11,631** |

### a) Revaluation Reserve

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

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

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

| | 31st March 2020 £000 | 31st March 2021 £000 |
|---|---|---|
| **Balance at 1st April** | **38,826** | **44,248** |
| Upward revaluation of assets | 5,568 | |
| Downward revaluation of assets | | (3,512) |
| Difference between fair value depreciation and historical cost depreciation | (144) | 146 |
| **Balance at 31st March** | **44,248** | **40,883** |

### b) Capital Adjustment Account

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

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

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

| | 31st March 2020 £000 | 31st March 2021 £000 |
|---|---|---|
| **Balance at 1st April** | **68,058** | **72,175** |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement: | | |
| Charges for depreciation of non-current assets | (4,160) | (5,094) |
| Amortisation of intangible assets | (135) | (121) |
| Revaluation Gains/Losses on Property, Plant & Equipment | (578) | (4,319) |
| Revenue expenditure funded from capital under statute | (1,799) | (4,929) |
| Write-off of non-enhancing capital expenditure | (58) | (79) |
| | **(6,729)** | **(14,541)** |
| Adjusting amounts written out of the Revaluation Reserve | (117) | (146) |
| **Net written out amount of the cost of non-current assets consumed in the year** | **(6,846)** | **(14,687)** |
| Capital financing applied in the year: | | |
| Minimum Revenue Provision | 0 | 798 |
| Sums set aside for Debt Repayment | 520 | 517 |
| Use of the Capital Receipts Reserve to finance new capital expenditure | 2,012 | 3,647 |
| Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | 2,389 | 5,051 |
| Capital expenditure charged against the General Fund balance | 4,946 | 5,833 |
| | **9,866** | **15,846** |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement | 1,096 | 400 |
| **Balance at 31st March** | **72,175** | **73,733** |

### c) Pensions Reserve

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

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Opening balance at 1 April | 71,481 | 73,677 |
| Remeasurements of the net defined liability | (2,068) | 13,225 |
| Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement | 9,036 | 6,690 |
| Employer's pensions contributions | (4,772) | (3,809) |
| **Closing balance at 31 March** | **73,677** | **89,783** |

### d) Collection Fund Adjustment Account

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

| | 31st March 2020 £000 | 31st March 2021 £000 |
|---|---|---|
| **Balance at 1st April** | 935 | 26 |
| Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements | | |
| - Council Tax | 346 | (131) |
| - Non-domestic Rates | (1,256) | 13,141 |
| **Balance at 31st March** | **26** | **13,036** |

## 32 - CAPITAL EXPENDITURE & CAPITAL FUNDING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

| | 2019/20 (Original) £000 | 2019/20 (Restated) £000 | 2020/21 £000 |
|---|---|---|---|
| **Opening Capital Finance Requirement** | **12,114** | **11,932** | **41,847** |
| **Capital Investment** | | | |
| Property, Plant & Equipment | 37,695 | 28,783 | 16,254 |
| Inventory | 0 | 5,267 | 2,001 |
| Investment Properties | 10 | 3,655 | 7,266 |
| Non-enhancing capital expenditure | 56 | 56 | 79 |
| Intangible Assets | 222 | 222 | 285 |
| Revenue Expenditure Funded from Capital Under Statute | 1,799 | 1,799 | 845 |
| | **39,782** | **39,782** | **26,730** |
| **Sources of Finance** | | | |
| Capital receipts | (2,012) | (2,012) | (3,647) |
| Government grants & other contributions | (4,721) | (2,390) | (5,052) |
| New Homes Bonus | (3,881) | (3,881) | (4,472) |
| Other Revenue Contributions | (755) | (1,065) | (1,360) |
| | **(11,368)** | **(9,347)** | **(14,531)** |
| Increase in Capital Financing Requirement | 28,413 | 30,435 | 12,198 |
| Minimum Revenue Provision Set-aside | 0 | **(520)** | **(1,315)** |
| **Closing Capital Finance Requirement** | **40,527** | **41,847** | **52,730** |

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. In this instance the funding will come from internal borrowing using existing cash balances, in accordance with the agreed Treasury Management Strategy for 2020/21.

### Prior Period Adjustments

Following a review of the calculation of the Capital Financing Requirement the figures for 2019/20 have been amended. The opening Capital Finance Requirement figure as at 1st April 2019 has been amended from £12.114m to reflect the correction of an error from 2017/18 that had been identified. This relates to the accounting treatment for an arrangement the Council had with the operator of the leisure centre whereby the operator paid for major refurbishment works at the centre which the Council is repaying for over 15 years. In 2017/18 it was identified that the initial accounting entries to set up the arrangement were incorrect, and in adjusting for that a false Capital Financing Requirement figure was showing in this note, so this has now been corrected.

A further adjustment has been made to show a separate line for Inventory in the expenditure section. This relates to the elements of the housing developments at Brunswick Street and Union Street that were to be available for private sale. The costs for 2018/19 were showing under Property, Plant & Equipment, but they should correctly be classified as Inventory. Under capital regulations it is permitted to fund spend on Inventory as capital expenditure, but the costs are to be written out of the capital accounts on the same basis as Revenue Expenditure Funded from Capital Under Statute.

**Accounting Policy – Revenue Expenditure Funded from Capital Under Statute**

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

## 33 - DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Kent County Council – this is a funded defined benefit Career Average Revalued Earnings (CARE) pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Due to the adoption of the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits, there are now classes of components of defined benefit cost to be included in the financial statements, i.e. net interest on the net defined benefit liability and re-measurements of the net defined benefit liability.

### Transactions Relating to Post-employment Benefits

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

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| **Comprehensive Income & Expenditure Statement (CI&ES)** | | |
| Cost of Services: | | |
| Service cost comprising: | | |
| - Current service cost | 6,233 | 5,003 |
| - Past service costs including curtailments | 1,130 | 0 |
| Financing and Investment Income & Expenditure: | | |
| - Net interest expense | 1,673 | 1,687 |
| **Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services** | **9,036** | **6,690** |
| Other Post Employment Benefit Charged to the CI&ES | | |
| Remeasurement of the net defined benefit liability comprising: | | |
| - Return on plan assets (excluding the amount included in net interest expense) | (11,199) | 28,386 |
| - Actuarial gains and losses arising on changes in financial assumptions | 16,436 | (46,104) |
| - Actuarial gains and losses arising on changes in demographic assumptions | 2,631 | 2,056 |
| -Experience gains and losses on defined benefit obligation | (4,952) | 2,437 |
| - Other actuarial gains and losses | (848) | 0 |
| **Total Post Employment Benefit Charged to the CI&ES** | **11,104** | **(6,535)** |
| Movement in Reserves Statement: | | |
| - Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 9,036 | 6,690 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| - Employers' contributions payable to the scheme | (4,772) | (3,809) |
| | **4,264** | **2,881** |

**Curtailments**

No employees were permitted to take unreduced early retirement that they would not otherwise have been entitled to over the past year.

**Settlements**

There were no liabilities settled at a cost materially different to the accounting reserve as a result of members transferring to / from another employer over the year (2019/20 £nil).

**McCloud Case**

An allowance has been made to reflect the Court of Appeal judgement in respect of the McCloud case which related to age discrimination within pension schemes. This was incorporated into the accounting results as at 31 March 2020. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 March 2021.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud case. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. Based on our actuary's advice, we do not consider that there are any material differences between the approach underlying the estimated allowance and the proposed remedy, so no adjustment has been included in light of the ongoing consultation.

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Present value of funded obligation | 175,391 | 221,430 |
| Fair value of plan assets | (103,305) | (133,210) |
| **Contributions by scheme participants** | **72,086** | **88,220** |
| Present value of unfunded obligation | 1,591 | 1,563 |
| **Net liability arising from defined benefit obligation** | **73,677** | **89,783** |

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

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Opening fair value of Scheme assets | 113,698 | 103,305 |
| Interest on assets | 2,716 | 2,417 |
| Return on assets less interest | (11,133) | 28,471 |
| Administration expenses | (66) | (85) |
| Contributions by employer including unfunded | 3,642 | 3,809 |
| Contributions paid by scheme participants | 939 | 981 |
| Estimated benefits paid plus unfunded net of transfers in | (5,643) | (5,688) |
| Other actuarial gains/(losses) | (848) | 0 |
| **Closing fair value of Scheme assets** | **103,305** | **133,210** |

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

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Opening balance at 1 April | 185,179 | 176,982 |
| Current Service cost | 5,103 | 5,003 |
| Interest cost | 4,389 | 4,104 |
| Change in financial assumptions | (16,436) | 46,104 |
| Changes in demographic assumptions | (2,631) | (2,056) |
| Experience loss/(gain) on defined benefit obligation | 4,952 | (2,437) |
| Past service costs, including curtailments | 1,130 | 0 |
| Estimated benefits paid net of transfers in | (5,491) | (5,541) |
| Contributions by Scheme participants | 939 | 981 |
| Unfunded pension payments | (152) | (147) |
| **Closing balance at 31 March** | **176,982** | **222,993** |

## Local Government Pension Scheme Assets

| | 31st March 2020 £000 | % | 31st March 2021 £000 | % |
|---|---|---|---|---|
| Equities | 63,552 | 61% | 85,777 | 65% |
| Gilts | 803 | 1% | 792 | 1% |
| Other Bonds | 13,465 | 13% | 16,636 | 12% |
| Property | 14,056 | 14% | 13,787 | 10% |
| Cash | 2,704 | 3% | 6,605 | 5% |
| Absolute return fund | 8,725 | 8% | 9,613 | 7% |
| **Total** | **103,305** | **100%** | **133,210** | **100%** |

## Basis for Estimating Assets and Liabilities

Liabilities have been assessed on an actuarial basis using the projected unit credit method, an estimate of the pensions that will be payable in future years dependent upon assumptions about mortality rates, salary levels, etc.

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Kent County Council Pension Fund are based on the full valuation of the scheme as at 31st March 2019.

The principal assumptions used by the actuary have been:

| | 2019/20 | 2020/21 |
|---|---|---|
| **Long-term expected rate of return of assets in the scheme** | | |
| **Mortality Assumptions** | | |
| Longevity at 65 for current pensioners | | |
| - Men | 21.8 | 21.6 |
| - Women | 23.7 | 23.6 |
| Longevity at 65 for future pensioners | | |
| - Men | 23.2 | 22.9 |
| - Women | 25.2 | 25.1 |
| **Financial Assumptions** | | |
| RPI increases | 2.75% | 3.20% |
| CPI increases | 1.95% | 2.80% |
| Salary increases | 2.95% | 3.80% |
| Pension increases | 1.95% | 2.80% |
| Discount Rate | 2.35% | 2.00% |

The long term assumption made by the actuary is that salaries will increase at 1% p.a. above CPI.

## Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have been determined based on reasonably possible changes of the assumptions occurring at the end of the reporting period and assumes for each change that the assumption analysed changes while all the other assumptions remain constant. The assumptions in longevity, for example, assume that life expectancy increases or decreases similarly for men and women. In practice, this is unlikely to occur. Changes in some of the assumptions may also be interrelated. The estimations in the sensitivity analysis have followed the accounting policies for the scheme, i.e. on an actuarial basis using the projected unit credit method. The methods and types of assumption used in preparing the sensitivity analysis below did not change from those used in the previous period.

| **Sensitivity Analysis** | **£000** | **£000** | **£000** |
|---|---|---|---|
| Adjustment to discount rate | +0.1% | 0.0% | -0.1% |
| - Present Value of Total Obligation | 218,641 | 222,993 | 227,436 |
| - Projected Service Cost | 7,261 | 7,526 | 7,800 |
| | | | |
| Adjustment to long-term salary increase | +0.1% | 0.0% | -0.1% |
| - Present Value of Total Obligation | 223,498 | 222,993 | 222,493 |
| - Projected Service Cost | 7,530 | 7,526 | 7,522 |
| | | | |
| Adjustment to pension increases and deferred revaluation | +0.1% | 0.0% | -0.1% |
| - Present Value of Total Obligation | 226,892 | 222,993 | 219,171 |
| - Projected Service Cost | 7,797 | 7,526 | 7,264 |
| | | | |
| Adjustment to life expectancy assumptions | +1 Year | None | -1 Year |
| - Present Value of Total Obligation | 233,457 | 222,993 | 213,030 |
| - Projected Service Cost | 7,838 | 7,526 | 7,226 |

## Scheme History

| | **2016/17 £000** | **2017/18 £000** | **2018/19 £000** | **2019/20 £000** | **2020/21 £000** |
|---|---|---|---|---|---|
| Present value of defined benefit obligation in the Local Government Pension Scheme | (183,756) | (182,032) | (183,242) | (175,391) | (221,430) |
| Fair value of assets in the Local Government Pension Scheme | 104,482 | 106,524 | 113,698 | 103,305 | 133,210 |
| Present value of unfunded obligation | (2,260) | (2,110) | (1,937) | (1,591) | (1,563) |
| **Surplus/(Deficit) in the scheme** | **(81,534)** | **(77,618)** | **(71,481)** | **(73,677)** | **(89,783)** |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £89.783m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2022 are £3.690m.

## Accounting Policy – Employee Benefits

### Benefits Payable During Employment

Short-term employee benefits are those due to be settled within 12 months of the year-end. They include benefits such as wages and salaries, paid annual leave and paid sick leave, bonuses and non-monetary benefits (e.g. cars) for current employees and are recognised as an expense for services in the year in which employees render service to the Council. An accrual is made for the cost of holiday entitlements (or any type of leave e.g. time off in lieu) earned by employees but not taken before the year-end which employees can carry forward into the next financial year. The accrual is made at the wage and salary rates applicable in the following accounting year, being the period in which the employee takes the benefit. The accrual is charged to the Surplus or Deficit on the Provision of Services, but then reversed out through the Movement in Reserves Statement so that holiday benefits are charged to revenue in the financial year in which the holiday absence occurs.

### Post-Employment Benefits

Employees of the Council are members of the Local Government Pensions Scheme, administered by Kent County Council (KCC). The Scheme is accounted for as a defined benefits scheme:

- The liabilities of the KCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate specified by the actuaries (based on the indicative rate of return on high quality corporate bonds.)

- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:

    - Quoted securities – current bid price
    - Unquoted securities – professional estimate
    - Unitised securities – current bid price
    - Property – market value

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

- Service cost which comprises:
  - Current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked.
  - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement.
  - Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing & Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement.

- Re-measurements comprising:
  - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
  - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.

- Contributions paid to the Kent County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2019.

**Discretionary Benefits**

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to arise as a result of an award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

## 34 – LEASES

### Finance Leases – Council as Lessee

The Council currently has a number of arrangements which it classifies as finance leases, including vehicles and the operation of the leisure centre.

The future minimum payments due under these arrangements in future years are:

| | 31st March 2020 £000 | 31st March 2021 £000 |
|---|---|---|
| Not more than 1 year | 559 | 558 |
| Later than 1 year and not later than 5 years | 2,030 | 1,473 |
| Later than 5 years | 0 | 0 |
| | **2,589** | **2,031** |

**Accounting Policy - Leases**

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

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

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

## 35 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 30th July 2021. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31st March 2021 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

## Accounting Policy – Events after the Balance Sheet Date

Events after the Balance Sheet date 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 is 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.

## 36 – CASH FLOW STATEMENT - ADJUSTMENTS MADE TO NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES FOR NON-CASH MOVEMENTS

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Depreciation | (4,160) | (5,094) |
| Revaluation Gains & Losses | 2,065 | (6,461) |
| Amortisation of Intangible Assets | (135) | (121) |
| Movement in Creditors | (2,908) | (4,427) |
| Movement in Debtors | 869 | 1,025 |
| Movement in Inventories | 4,240 | 1,879 |
| Movement in Pension Liabilities | (4,264) | (2,881) |
| Derecognition of non-current assets | 0 | (5,805) |
| Other Non-Cash items | 1,038 | (198) |
| | **(3,253)** | **(22,082)** |

Opening balances reflect adjustments to Cash Flows from Operating and Investing Activities following identification of a prior period error. Full details are disclosed within note 3.

## 37 – CASH FLOW STATEMENT - ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING & FINANCING ACTIVITIES

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Capital Grants credited to surplus or deficit on the provision of services | 4,411 | 5,051 |
| Proceeds from sale of Property, Plant & Equipment | 1,961 | 3,551 |
| | **6,372** | **8,603** |

## 38 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Purchase of property, plant & equipment, investment property and intangible assets | 31,171 | 25,901 |
| Purchase of short-term and long-term investments | 0 | 2,000 |
| Proceeds from the sale of property, plant & equipment, investment property and intangible assets | (1,963) | (1,968) |
| Proceeds from short-term and long-term investments | (4,000) | 0 |
| Other payments for investing activities | 0 | 111 |
| Other receipts for investing activities (Grants) | (5,482) | (6,429) |
| **Net cash flows from investing activities** | **19,725** | **19,614** |

Opening balances reflect adjustments to Cash Flows from Operating and Investing Activities following identification of a prior period error. Full details are disclosed within note 3.

## 39 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

| | 2019/20 £000 | 2020/21 £000 |
|---|---|---|
| Cash receipts of short- and long-term borrowing | (11,000) | 0 |
| Repayments of short & long-term borrowing | 520 | 537 |
| Other payments for financing activities | (7,688) | (4,444) |
| **Net cash flows from financing activities** | **(18,168)** | **(3,906)** |

# COLLECTION FUND STATEMENT & NOTES

| 2019/20 £000 | | | 2020/21 £000 |
|---|---|---|---|
| | **INCOME** | | |
| 117,579 | Income From Council Tax | 124,005 | |
| 60,304 | Income From Business Rates (Note 2) | 31,730 | |
| **177,883** | **Total Income** | | **155,735** |
| | **EXPENDITURE** | | |
| | Precepts and Demands - Council Tax | | |
| 82,402 | Kent County Council | 85,653 | |
| 12,227 | Kent Police & Crime Commissioner | 12,877 | |
| 18,503 | Maidstone Borough Council | 18,966 | |
| 4,933 | Kent Fire & Rescue Authority | 5,026 | |
| | Shares of Business Rates | | |
| 25,411 | Central Government | 31,281 | |
| 6,808 | Kent County Council | 4,308 | |
| 21,843 | Maidstone Borough Council | 24,128 | |
| 546 | Kent Fire & Rescue Authority | 603 | |
| 985 | Transitional Protection Payments - Business Rates | 915 | |
| 173 | Disregarded Amounts - Business Rates | 154 | |
| | Impairment of Debts - Council Tax | | |
| 260 | Write offs of uncollectable amounts | 190 | |
| 1,401 | Additional / (Reduced) Impairment of Aged Debt | 1,760 | |
| | Impairment of Debts/Appeals - Business Rates | | |
| 823 | Write offs of uncollectable amounts | 242 | |
| 119 | Additional / (Reduced) Impairment of Aged Debt | 808 | |
| (746) | Losses on appeal | (1,197) | |
| 1,354 | Additional / (Reduced) Provision For Appeals | 2,231 | |
| 205 | Cost of Collection Allowance - Business Rates | 205 | |
| **177,249** | **Total Expenditure** | | **188,151** |
| 634 | Surplus/(Deficit) For Year | | (32,417) |
| (1,118) | Surplus/(Deficit) Brought Forward From Previous Years | | (484) |
| **193** | **Surplus/(Deficit) on Council Tax** | | **(273)** |
| **(678)** | **Surplus/(Deficit) on Business Rates** | | **(32,628)** |
| **(484)** | **Surplus/(Deficit) as at 31st March 2021** | | **(32,901)** |

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 this council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Respective shares of Balance Sheet items are consolidated into the accounts of billing and precepting authorities.

Collection fund income has been impacted significantly by the Covid-19 pandemic, which is reflected in the deficit figures shown in the statement on the preceding page.

As part of the government's support package to businesses in response to the Covid-19 pandemic, 100% business rates relief was granted to retail, hospitality, leisure businesses and nurseries for 2020/21. The government has reimbursed the council for business rates income lost as a result of the expanded reliefs, through grants amounting to £27.9m, of which £12.3m will be retained by Maidstone. However, as required under statute, these grants are credited to the general fund, leaving a significant deficit on the collection fund from the reduction in amounts collected from ratepayers. This deficit will be repaid from the general fund and by preceptors over the coming years.

Collection rates for Council Tax have been impacted by the Covid-19 pandemic as measures to pursue non-payment were put on hold at the end of March. Therefore telephone chasing and additional reminder letters which would normally have taken place over the first quarter of the year were suspended and are likely to have adversely impacted on the overall in-year collection rate. Furthermore, the council has observed a 13.6% increase in its Local Council Tax Support caseload since pre-Covid-19 budget expectations were set for 2020/21.

## Notes to the Collection Fund

### Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 1st April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner, Kent Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the Council Tax base which is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 63,319.8 for 2020/21 (62,033.4 for 2019/20) (see table below.) This basic amount of Council Tax for a Band D property, £1,899.29 for 2020/21 (£1,830.79 for 2019/20), is multiplied by the proportion specified for the particular band to give an individual amount due. Parish Precepts are added to this basic amount.

The bands, number of dwellings in each, the multiplier for each and the resultant tax base are detailed in the table below.

| Band | Number of Dwellings | Multiplier | Council Tax Base |
|---|---|---|---|
| Band A (incl disabled relief) | 2 | 5/9 | 1.1 |
| Band A | 2,591 | 6/9 | 1,727.5 |
| Band B | 6,445 | 7/9 | 5,012.9 |
| Band C | 15,679 | 8/9 | 13,936.6 |
| Band D | 16,465 | 9/9 | 16,465.1 |
| Band E | 9,032 | 11/9 | 11,038.8 |
| Band F | 5,325 | 13/9 | 7,691.7 |
| Band G | 3,946 | 15/9 | 6,576.8 |
| Band H | 337 | 18/9 | 673.0 |
| Other | 0 | | 196.3 |
| | | | **63,319.8** |

## Note 2 - Business (Non-domestic) Rates

The Council collects Business Rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by Central Government. There are two multipliers:

- Standard Multiplier 51.2p / £ Rateable Value (50.4p in 2019/20)
- Small Business Multiplier 49.9p / £ Rateable Value (49.1p in 2019/20)

The rateable value at 31st March 2021 was £150.243m (£147.123m at 31st March 2020).

For 2020/21, it was calculated that the Council would receive £24.128m in business rates (£21.843m in 2019/20).

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies. A significant proportion of Maidstone's retained share £19.339m in 2020/21, £19.028m in 2019/20) is subsequently 'top-sliced' and returned to the Government for redistribution across local government.

A further Safety Net or Levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its Baseline Funding level set by the government. In these circumstances a local authority will receive a Safety Net grant. This grant is paid for by imposing a 50% levy on localised business rate receipts in excess of their Baseline Funding level.

Since April 2013, the Council has participated in a pooled arrangement with Kent County Council, Kent Fire and Rescue Authority and other district councils in Kent in order to minimise the levy payment due to Central Government and thereby maximise the retention of locally generated Business Rates.

Business Rates surpluses/deficits declared by the Billing Authority in relation to the Collection Fund are apportioned to the relevant precepting bodies and Government in the subsequent financial year in their respective proportions.

# GLOSSARY OF TERMS

### ACCOUNTING POLICIES

The specific policies and procedures used by the Council to prepare the Statement of Accounts. These include any methods, measurement systems and procedures for presenting disclosures.

### ACCOUNTS

Statement aggregating items of income and expenditure and assets and liabilities. The accounts may show detailed transactions for every activity (generally used for management and control purposes during a financial year) or be summarised to show the overall position at the end of the period. The latter are known as final accounts and show both the net surplus (profit) or deficit (loss) and a balance sheet of the assets, liabilities and other balances at the end of the accounting period. Councils are required to publish a Statement of Accounts as specified in the Accounts and Audit Regulations 2011.

### ASSETS HELD FOR SALE

Assets that the Council are actively marketing for sale, and for which there is a reasonable expectation that the sale will take place within one year of the Balance Sheet date.

### BALANCE SHEET

A statement of the assets, liabilities and other balances of the Council at the end of an accounting period.

### BALANCES

Capital or revenue reserves of the Council made up of the accumulated surplus of income over expenditure on the general fund or any other account. Revenue balances may be utilised to provide for unforeseen circumstances, to ensure that payments can be made pending the receipt of income, and if justified they may be used to reduce the collection fund levy.

### CAPITAL EXPENDITURE

Generally, expenditure which is of value to the Council in the provision of services beyond the end of the financial year in which it was incurred, e.g. purchase of land and buildings, construction or improvement of buildings.

### CAPITAL FINANCING

The raising of money to pay for capital expenditure. Usually the cost of capital assets is met by borrowing, but capital expenditure may also be financed by other means such as leasing, contributions from the revenue accounts, the proceeds of the sale of capital assets, capital grants, reserves and other contributions.

**CAPITAL RECEIPTS**

Proceeds from the sale of capital assets. Capital receipts can be used to repay the debt on assets financed from loan or to finance new capital expenditure, subject to compliance with statutory requirements.

**COLLECTION FUND**

Councils that collect precepts and non-domestic rates on behalf of other authorities are required to maintain a Collection Fund to summarise the collection and payments of precepts, and any associated adjustments.

**CREDITORS**

Amounts owed by the Council for work done, goods received, or services rendered but for which payment had not been made at the date of the balance sheet.

**DEBTORS**

Sums of money due to the Council but unpaid at the balance sheet date.

**DEPRECIATION**

The measure of the wearing out, consumption, or other reduction in the useful economic life of a non-current asset, whether arising from use, passage of time or obsolescence through technological or other changes.

**GENERAL FUND**

The main revenue account of a charging authority that summarises the cost of all services provided by the Council.

**HERITAGE ASSETS**

Heritage Assets are defined as assets with historical, artistic, scientific, technological, geophysical or environmental qualities that are held and maintained principally for their contribution to knowledge or culture.

**INTANGIBLE ASSETS**

Intangible assets are assets that do not have a physical substance but are identifiable and controlled by the Council, such as computer software.

**INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

These are the accounting standards (as adapted for the public sector) that the Council are required to follow when preparing the annual Statement of Accounts.

**INVESTMENT PROPERTIES**

Investment properties are those that are used solely to earn rentals and/or for capital appreciation.

**PROPERTY, PLANT & EQUIPMENT**

Assets that have physical substance and are held for use in the provision of services or for administrative purposes on a continuing basis.

**REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE**

Expenditure incurred during the year that may be capitalised under statutory provisions but does not result in the creation of property, plant or equipment, and is charged as expenditure to the relevant service revenue account in the year.

**REVENUE SUPPORT GRANT**

A general grant paid by central government to local authorities to help finance the cost of services. It is paid to charging authorities for credit to the Collection Fund.

**REVENUE ACCOUNT**

An account which records the day to day expenditure and income of the Council on such items as salaries and wages, running costs of services, the purchase of consumable materials and equipment, and the financing costs of capital assets.

**SUPPORT SERVICES**

An allocation of the net cost of the administrative and professional departments which provide support for all the Council's services (e.g. Executive Services, Finance, Personnel), together with the costs of pooled administrative buildings.

**USABLE CAPITAL RECEIPTS**

Funds received by an authority from the sale of capital assets that have yet to be used to finance capital expenditure or repay debt.

**UNUSABLE RESERVES**

These are non-cash reserves that are kept to manage the accounting processes for non-current assets, retirement benefits and employee benefits and do not represent usable resources for the Council.

**USABLE RESERVES**

These are funds available to the Council and represent specific amounts set-aside for future policy purposes or earmarked purposes, including the General Fund and the Capital Receipts Reserve.

# Independent auditor's report to the members of Maidstone Borough Council

## Report on the Audit of the Financial Statements

### Opinion on financial statements

We have audited the financial statements of Maidstone Borough Council (the 'Authority') for the year ended 31 March 2021, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2021 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law, as required by the Code of Audit Practice (2020) ("the Code of Audit Practice") approved by the Comptroller and Auditor General. Our responsibilities under those standards are further described in the 'Auditor's responsibilities for the audit of the financial statements' section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

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

In our evaluation of the Director of Finance and Business Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2020) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

In auditing the financial statements, we have concluded that the Director of Finance and Business Improvement's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

The responsibilities of the Director of Finance and Business Improvement with respect to going concern are described in the 'Responsibilities of the Authority, Director of Finance and Business Improvement and Those Charged with Governance for the financial statements' section of this report.

### Other information

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

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

We have nothing to report in this regard.

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

Under the Code of Audit Practice published by the National Audit Office in April 2020 on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with 'delivering good governance in Local Government Framework 2016 Edition' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

### Opinion on other matters required by the Code of Audit Practice

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

### Matters on which we are required to report by exception

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

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

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

### Responsibilities of the Authority, the Director of Finance and Business Improvement and Those Charged with Governance for the financial statements

As explained in the Statement of Responsibilities for the Statement of Accounts the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance and Business Improvement. The Director of Finance and Business Improvement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance and Business Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Business Improvement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is an intention by government that the services provided by the Authority will no longer be provided.

The Audit, Governance and Standards Committee are Those Charged with Governance. Those Charged with Governance are responsible for overseeing the Authority's financial reporting process.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

#### Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Owing to the inherent limitations of an audit, there is an unavoidable risk that material misstatements in the financial statements may not be detected, even though the audit is properly planned and performed in accordance with the ISAs (UK).

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant, which are directly relevant to specific assertions in the financial statements, are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2020/21, The Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972 and the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012
- We enquired of senior officers and the Audit, Governance and Standards Committee concerning the Authority's policies and procedures relating to:
  - the identification, evaluation and compliance with laws and regulations;
  - the detection and response to the risks of fraud; and
  - the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

- We enquired of senior officers and the Audit, Governance and Standards Committee whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.
- We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating officers' incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, fraudulent revenue recognition and fraudulent expenditure recognition.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance and Business Improvement has in place to prevent and detect fraud;
  - journal entry testing, with a focus on unusual journals made during the year and the accounts production stage for appropriateness and corroboration
  - challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations**;**
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. However, detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as those irregularities that result from fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- Assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's.
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
  - knowledge of the local government sector
  - understanding of the legal and regulatory requirements specific to the Authority including:
  - the provisions of the applicable legislation
  - guidance issued by CIPFA/LASAAC and SOLACE
  - the applicable statutory provisions.
- In assessing the potential risks of material misstatement, we obtained an understanding of:
  - the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
  - the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2021.

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

### Responsibilities of the Authority

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

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in April 2021. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

## Report on other legal and regulatory requirements - Certificate of completion of the audit

We certify that we have completed the audit of the financial statements of Maidstone Borough Council in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice

### Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Signature:

*Paul Dossett*

Paul Dossett
Key Audit Partner

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

London

Date: 18th November 2022