



# NARRATIVE REPORT

2021/2022



## Overview

The year ending 31 March 2022 saw Maidstone Borough Council and the community that it serves starting to recover from the Covid-19 pandemic. Central government financial support, which had helped the Council during the pandemic, was reduced, but this was offset by renewed growth in local sources of income such as parking and planning fees. As a result, the Council's financial position remains sound.

Prospects for the future are much more uncertain, with inflation likely to affect the cost of inputs to council services, at the same time as there are constraints on the capacity of the council to recoup these costs, particularly if the government continues to limit the level of Council Tax increases to 2%.

**This narrative report summarises the Council's financial position as follows:**

- 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

<b>2021</b>	175,800
<b>2020</b>	173,100

### UNEMPLOYMENT IN BOROUGH

<b>2021</b>	3.6%
<b>2020</b>	3.8%

### NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH

<b>2021</b>	7,995
<b>2020</b>	7,650

### BUSINESS RATES GENERATED

<b>2021/22</b>	£43.5 million*
<b>2020/21</b>	£31.7 million*

\*net of Covid-19 Business Rates relief

### WEEKLY PAY FOR A FULL-TIME WORKER

<b>2021</b>	£631.40
<b>2020</b>	£605.50

### COUNCIL GROSS REVENUE

<b>2021/22</b>	£105.4 million
<b>2020/21</b>	£103.2 million

### COUNCIL REVENUE GENERATED LOCALLY (Excluding Covid-19 Grants)

<b>2021/22</b>	93.5%
<b>2020/21</b>	91.5%

### COUNCIL SURPLUS AGAINST BUDGET

<b>2021/22</b>	2.4%
<b>2020/21</b>	5.7%

### COUNCIL INVESTMENT IN LONG TERM ASSETS

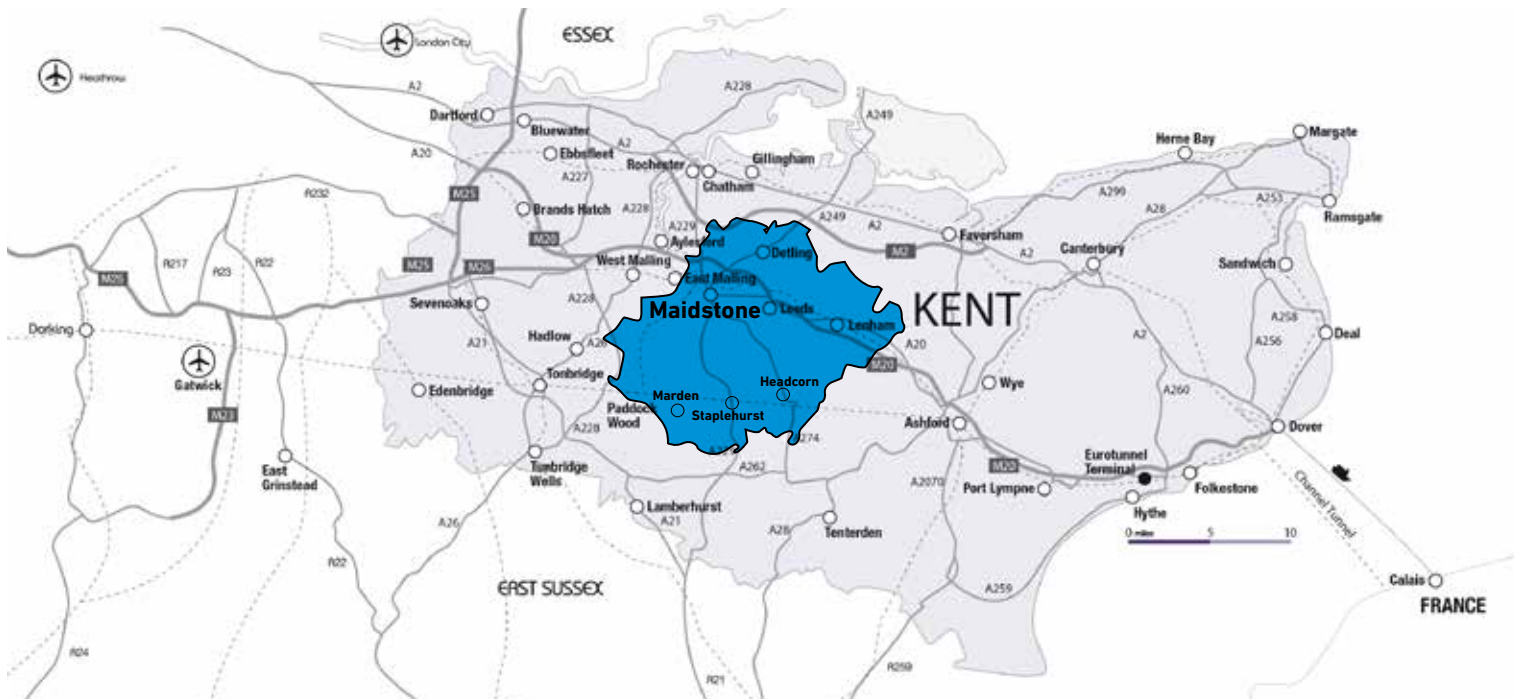
<b>2021/22</b>	£193.7 million
<b>2020/21</b>	£163.5 million

### COUNCIL'S USABLE RESERVES (excludes funding of Collection Fund deficit)

<b>2021/22</b>	£23.5 million
<b>2020/21</b>	£18.5 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 175,800 residents recorded in the 2021 census. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area there are local service centres 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.

Following the latest borough elections in May 2022, the political composition of the Council is:

<b>Conservative</b>	<b>28</b>
<b>Liberal Democrat</b>	<b>12</b>
<b>The Independent Group (including 1 Green Party)</b>	<b>10</b>
<b>Labour</b>	<b>5</b>

The Council operates an Executive system, with decisions being made by seven Executive members, appointed by the Leader of the Council. The Council elects a Leader each year; the current Leader is Councillor David Burton (Conservative).

The day-to-day management of the council and its services is carried out by the Corporate Leadership Team, headed by Alison Broom, Chief Executive.

The Council employed 524 people (485 full time equivalent) at 31 March 2022, 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 2021/22 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 2022/23, the Council anticipated the likely rise in the rate of inflation by setting up an in-year corporate contingency budget of £1.3 million to address the likely impact of inflation rising above the government's target of 2%. Whilst the Council was able to set a balanced budget for the year, including the contingency budget, if inflation remains in excess of the current Council Tax referendum limit of 2%, it will need to make savings to balance the budget in future years.

When setting the budget for 2022/23, the Council set aside £3.2 million of New Homes Bonus receipts as an initial contribution towards the subsidy required for the Affordable Housing programme.

The Council's balance sheet position remains strong, with £12 million of unallocated General Fund reserves at the end of 2021/22.

# Key achievements

## EMBRACING GROWTH AND ENABLING INFRASTRUCTURE

- **Garden Community**

The Heathlands Garden Community projects has progressed well over the past twelve months, working in partnership with Homes England. As a result of the promotional work undertaken to date, the project now features as a draft “allocation” in the Council’s Local Plan Review, that goes to Examination in Public in the Autumn of 2022. The project therefore remains firmly on track, and will deliver 5,000 homes and 5,000 jobs, with the first houses to be built in the late 2020’s. The collaboration agreement that has been signed with Homes England has been referred to by them as an exemplar model that they intend to roll out with other councils.

- **Innovation Centre**

The Maidstone Innovation Centre completed in November 2021. The building is of the highest design quality, designed by Bond Bryan architects, and achieved an excellent BREEAM rating in terms of its environmental performance. Rydon were the contractor, and the project was part financed through the European Regional Development Fund. Businesses that locate within the Innovation Centre benefit from wraparound business support packages, which are also be available to other businesses operating across the Local Enterprise Region that are also focussed upon the health and med-tech sectors. There is very strong occupier demand for the building, which is ahead of the business plan forecast in terms of lettings.

## HOMES AND COMMUNITIES

- **Recovery and Renewal Strategy**

The Council has put in place a Recovery and Renewal Strategy through which it will work with the borough’s communities, the community and voluntary sector, parish councils and anchor institutions to build back better from the Covid-19 pandemic. The strategy focusses on building resilience, avoiding duplication, improving communication and identification of common goals, improving and making best use of our community infrastructure and empowering our communities to help themselves. Key elements of the strategy include a new Town Centre strategy for Maidstone, activities and events to bring visitors and residents back to the Town Centre, a community resilience fund to help the voluntary sector and measures to promote financial inclusion.

- **Trinity Place**

The Council has completed the refurbishment of an existing community asset, Trinity Place, that further supports 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 has now completed allowing residents to move in from July 2022. It provides 23 self-contained one and two-bedroom apartments and studios and will cost around £1.5m 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. Our housing teams will also deliver many of their frontline services directly from the community spaces situated on the ground floor of the building.

- **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 provided 94 new homes in total, of which it has retained 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. The sales and lettings demand for all the new homes were extremely strong, with residents enjoying features to include high energy efficiency ratings, electric car charging points and balconies.

## SAFE, CLEAN AND GREEN

- **Maidstone Bus Station**

The Council worked closely with the facility owner, Capital & Regional, the bus operators, and Kent County Council, to lead and fund the comprehensive refurbishment of this important sustainable transport asset. The works completed in Autumn 21, at a cost of circa £1.5m, with the user experience having been transformed by this investment.

## A THRIVING PLACE

- **Love Food @ Lockmeadow**

The Council has continued to invest in the Lockmeadow leisure complex with the objective of making Maidstone a thriving place. In November 2021, the Council opened Love Food @ Lockmeadow, a food court featuring globally inspired street food from eight independent local food and drink producers including Thai, Jamaican, Asian, vegan, and American.

- **Maidstone House**

In December 2021 the Council acquired a 199 year lease over Maidstone House and the adjoining Link building from Capital & Regional, owners of the Mall shopping centre for £7.1 million. The Council already occupied three floors of Maidstone House based in King Street, and delivered customer services from the Link. The acquisition will allow the Council to reduce its occupancy costs and give it greater flexibility over how it uses the space. Ownership of a key site in the town centre also supports the Council's objective to make Maidstone a thriving place, by giving it the opportunity to invest in Maidstone House and the Link and continue developing the facilities they offer.



# 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	2021/22 Out-turn	2021/22 Target	Status	Compared to 2020/21
Customer satisfaction with the Hazlitt	Leisure & Tourism	100%	75%		N/A
Percentage of vacant retail units in the town centre	Economic Development	15.6%	11%		
Number of visits per month to Visit-Maidstone.com	Economic Development	411,895	240,000		
Footfall in the Town Centre	Economic Development	9,990.725	11,836.415		
Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]	Economic Development	3.5%	-		
Number of students benefitting from the museums educational service	Leisure & Tourism	8,541	9,000		
Footfall at the Museum and Visitors Information Centre	Leisure & Tourism	33,490	29,494.2		
Number of users at the Leisure Centre	Leisure & Tourism	275,096	645,890		
Business Rates income from the Town Centre	Economic Development	£32,458,693			
Total value of business rateable properties	Economic Development	£149,236,854			

## Clean, Safe and Green

Performance Indicator	Service	2021/22 Out-turn	2021/22 Target	Status	Compared to 2020/21
Percentage of unauthorised encampments on Council owned land removed within 5 working days	Community Protection	100%	100%		
The percentage of relevant land and highways that is assessed as having acceptable levels of litter	Waste Crime Team	97.22%	98%		
The percentage of relevant land and highways that is assessed as having acceptable levels of detritus	Waste Crime Team	94.43%	95%		
Percentage of fly tips with evidential value resulting in enforcement action	Waste Crime Team	127.4%	87%		
Maintenance per Hectare Spent on Parks and open Spaces	Parks & Open Spaces	£6020			-
Number of Green Flag Parks	Parks & Open Spaces	4	4		-
Actual Spend of Section 106 money	Parks & Open Spaces	£412,283			
Percentage of household waste sent for reuse, recycling and composting	Waste & Recycling	53.14%	52%		
Contamination: Tonnage per month rejected	Waste & Recycling	1,349.99	1,150.00		
Percentage of fly tips assessed within 2 working days	Street Cleansing	83.22%	94%		



**PRIORITY:**

**Homes & Communities**

Performance Indicator	Service	2021/22 Out-turn	2021/22 Target	Status	Compared to 2020/21
Number of completed housing assistances	Housing & Health	266			
Number of houses of multiple occupation brought to compliance by private rented sector licensing	Housing & Health	44	30		
Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00)	Housing & Health	141			
Number of households living in nightly paid temporary accommodation last night of the month	Housing & Health	46			
Number of households housed through the housing register	Housing & Health	713	600		
Percentage of successful Prevention Duty outcomes	Housing & Health	75.06%	60%		
Number of households prevented or relieved from becoming homeless	Housing & Health	492	450		
Percentage of successful Relief Duty outcomes	Housing & Health	47.61%	60%		
Percentage of gas safety certificates in place on all residential properties	Housing & Health	99.64%	100%		
Percentage of all electrical safety certificates on all residential properties	Housing & Health	100%	100%		
Percentage of Fire Risk Assessments in place for residential properties where this is a requirement under the Fire Safety Order (2005)	Housing & Health	100%	100%		
Percentage spend and allocation of Disabled Facilities Grant Budget (YTD)	Housing & Health	97.2%	75.00%		

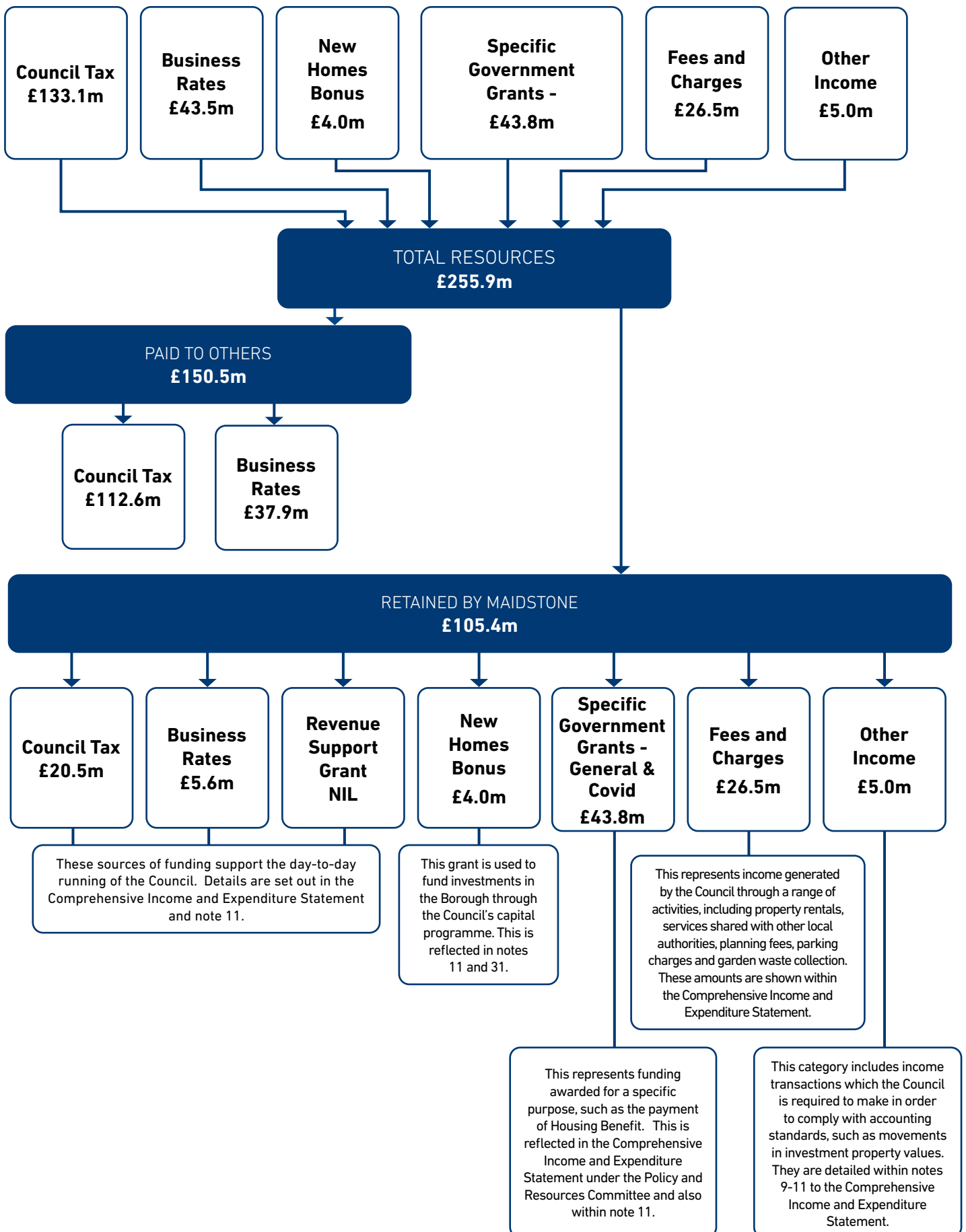
**PRIORITY:**

**Embracing Growth & Enabling Infrastructure**

Performance Indicator	Service	2021/22 Out-turn	2021/22 Target	Status	Compared to 2020/21
Percentage of priority 1 enforcement cases dealt with in time	Development Management	100%	95%		
Percentage of Priority 2 enforcement cases dealt with in time	Development Management	85.85%	90%		
Number of enforcement complaints received	Development Management	525			
Open planning enforcement cases (as of start of March 2021)	Development Management	378			
Processing of planning applications: Major applications (NI 157a)	Development Management	90%	90%		
Processing of planning applications: Minor applications (NI 157b)	Development Management	96.13%	95%		
Processing of planning applications: Other applications (NI 157c)	Development Management	99.45%	98%		
Number of affordable homes delivered (Gross)	Economic Development	390	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

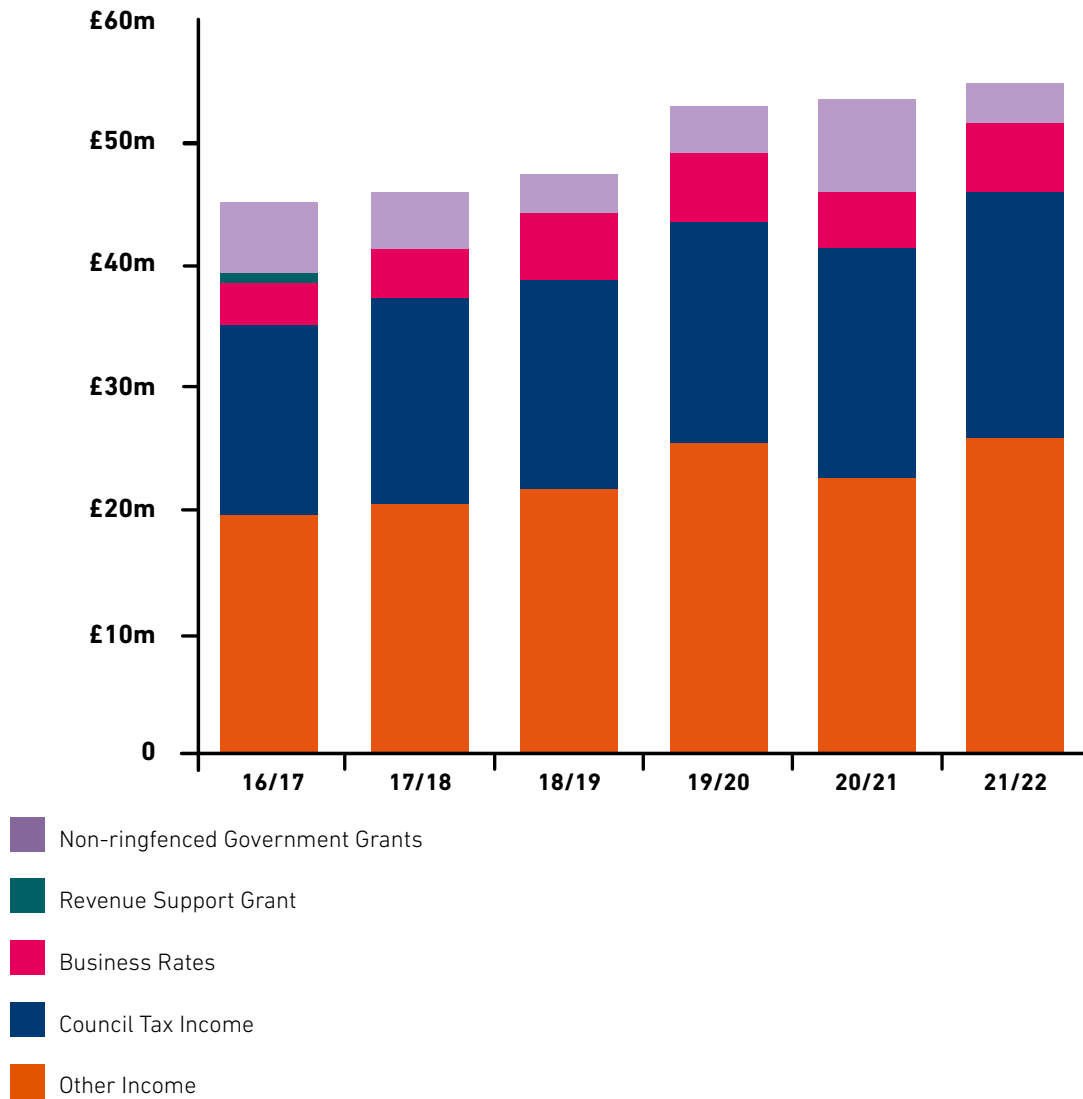
Maidstone Council's financial turnover, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £255.9 million in 2021/22 (£234 million in 2020/21). The table below shows the flows of income and expenditure.



# Expenditure

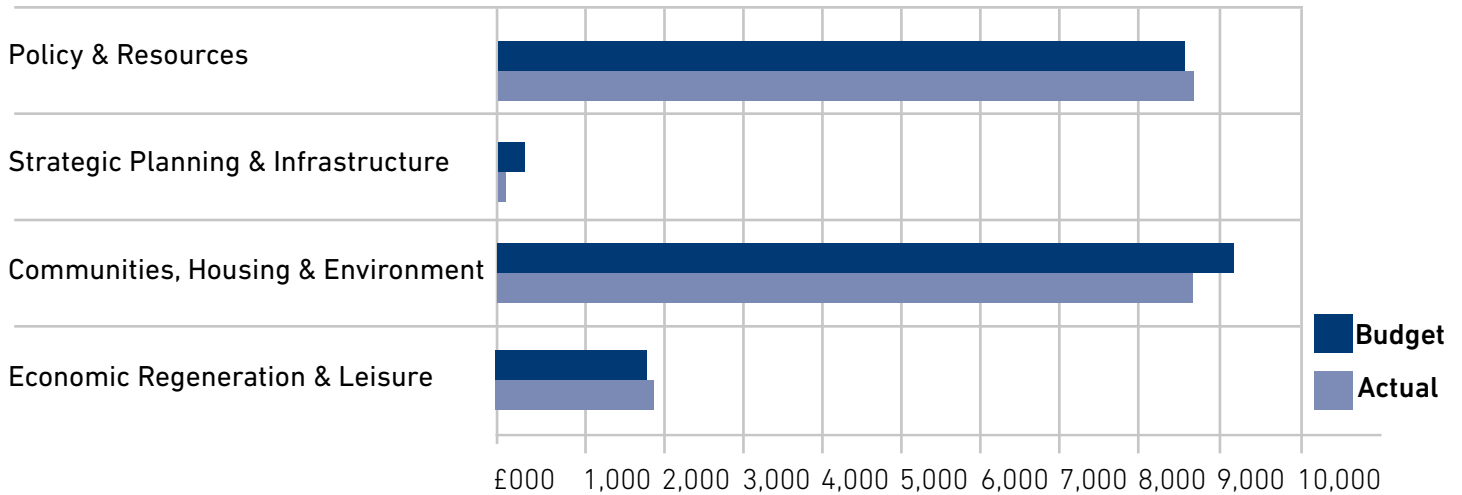
Income retained by Maidstone is used to meet its statutory obligations - delivering services like refuse collection, and making transfer payments such as housing benefit – and to meet our strategic priorities.

Compared with 2020/21, income has recovered strongly from the Covid-19 pandemic, offsetting the reduction in non-ringfenced Government Grants that helped to bridge the gap between income and expenditure when the pandemic was its height.



These sources of income are shown in note 11 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, eg energy rebates.

The table below compares income and expenditure with budget, and shows how a better than budget performance in services like Parking and Planning (which form part of Strategic Planning and Infrastructure) and Garden Waste (part of Communities, Housing and Environment), which generate external income, has led to an overall budget surplus for the year.



The Council's income and expenditure is shown in the **Comprehensive Income & Expenditure Statement** 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 increased from £46.5 million to £64.2 million, mainly because of upward revaluations of the Council's property assets.

2020/21 £000		2021/22 £000
113,479	Property, Plant & Equipment	135,806
37,889	Investment Properties	43,395
13,249	Heritage Assets	13,349
2,959	Other Long Term Assets	2,248
39,228	Money owed to the Council	53,195
-61,868	Money owed by the Council	-76,496
-96,799	Long Term Liabilities	-90,382
<b>48,237</b>	<b>Net Assets</b>	<b>81,115</b>
33,691	Usable Reserves	35,334
14,546	Unusable Reserves	45,781
<b>48,237</b>	<b>Total Reserves</b>	<b>81,115</b>

**Property, Plant and 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 has just £5 million of long term borrowing.

**Usable reserves** include money set aside for specific purposes and sufficient contingency to cover unforeseen events.

**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 less than planned, with the most important factor being the scarcity of property buying opportunities at reasonable valuations meant that we were unable to add significantly to our portfolio of temporary accommodation. £26 million was spent during the year on delivering projects identified within the Council's capital programme.

These projects included:

- Purchase of property for the private sector rented accommodation programme
- Site acquisition for the affordable housing programme
- New visitor centre in Mote Park
- Refurbishment of Mall Bus Station
- Completion of Innovation Centre for growing businesses in the life science, healthcare and med-tech sectors
- Acquisition of Maidstone House and the Link

The Council has an ambitious capital programme for the coming five years, totalling £230 million.

The largest element in the capital programme is the Council's Affordable Housing programme, which aims to provide 1,000 homes over the next 10 years.

	22/23	23/24	24/25	26/27	24/25	Total
	£M	£M	£M	£M	£M	£M
Affordable Housing	6.2	11.4	28.4	28.4	39.8	114.2
PRS	2.3	4.6	11.6	11.6	16.2	46.3
Market Sale	0.5	5.7	5.7	5.2	5.2	22.3
Market Sale - receipts			-1.9	-12.4	-12.4	-26.7
Leisure provision	0.1	0.1	0.5	14.3	15.0	30.0
Corporate property acquans	2.5	2.5	2.5	2.5	2.5	12.5
Infrastructure delivery	1.0	1.0	1.0	1.0	1.0	5.0
Biodiversity & climate change	1.4	0.0	0.5	0.5	0.5	2.9
Other	13.5	5.8	3.1	2.5	2.1	27.0
	27.5	31.1	51.4	53.6	69.9	233.5



## 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 the Council has assessed as being the key corporate risks.

No	Corporate risk	Feb-22 Current Risk	Jun-22	
			Current Risk	Mitigated Risk
1	Contraction in retail sector	25	25	20
2	Financial Uncertainty	20	25	16
3	Construction Costs / Insolvency	20	20	16
4	Environmental damage	16	16	16
5	Housing pressures increasing	16	16	12
6	Major unforeseen emergency	15	15	12
7	IT network failure	12	12	9
8	Not fulfilling residential property responsibilities	12	12	9
9	Major contractor failure	12	12	12
10	Governance changes	12	12	6
	Covid-19: Restrictions to Council operations	12	Removed	
11	Ability to access / leverage new funding	9	9	9
12	Reduced effectiveness of relationships with strategic partners	9	9	9
13	Resilience of the voluntary & community sector	9	9	6
14	Loss of workforce cohesion and talent	9	12	9
	Covid-19: Community & business recovery	8	Removed	



## FUTURE PLANS

The focus of the Council will continue to be on delivering its four key strategic priorities:

- Embracing Growth and Enabling Infrastructure
- Homes and Communities
- A Thriving Place
- Safe, Clean and Green.

This will have to be balanced against the financial challenges that may arise from continuing high levels of inflation and a potential downturn in the economy. Whilst the Council is largely self-sufficient financially, drawing most of its income from Council Tax and a range of other locally generated sources of income, including Parking, Planning Fees and the Council's property portfolio, it operates within the local authority funding framework set by central government. The most significant element of this is the restriction set by central government on the amount by which Council Tax can be increased. If this remains at 2%, at a time when input prices are likely to be increasing at a much higher rate, this will pose significant challenges.

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, so long as investment opportunities demonstrate a return that allows interest payments and ultimately repayment of capital to be funded. The capital programme is largely funded through external sources, so it depends on the availability of funding, whether through Public Works Loan Board borrowing or other sources of finance. The Council has locked in £80 million of future borrowing, to be drawn down between 2024 to 2026, in order to mitigate the funding risk.



MEADOW  
FOOD • DRINK • ENTERTAINMENT • LEISURE



MAIDSTONE  
Borough Council



# STATEMENT OF ACCOUNTS 2021/22

## **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, Resources & 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, Resources & Business Improvement's Responsibilities**

The Director of Finance, Resources & 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, Resources & Business Improvement has:

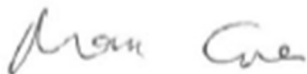
- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Director of Finance, Resources & 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 31<sup>st</sup> March 2022.

**Signed:**



Mark Green, Director of Finance, Resources & Business Improvement

**Date:** 13<sup>th</sup> November 2023

## PRIMARY STATEMENTS

### COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31<sup>st</sup> March 2021 & 2022

	2020/21			Committee	2021/22		
	Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
	48,675	(45,932)	2,743	Policy & Resources	48,419	(43,881)	4,538
	25,433	(12,591)	12,842	Communities, Housing & Environment	26,315	(15,387)	10,929
	12,146	(6,731)	5,415	Economic, Regeneration & Leisure	17,561	(7,030)	10,532
	8,589	(4,991)	3,598	Strategic Planning & Infrastructure	8,420	(7,157)	1,263
	<b>94,844</b>	<b>(70,246)</b>	<b>24,598</b>	<b>Cost Of Services</b>	<b>100,715</b>	<b>(73,454)</b>	<b>27,261</b>
			2,392	Other Operating Expenditure (Note 9)	2,367	(939)	1,428
			3,749	Financing and Investment Income and Expenditure (Note 10)	3,013	(6,137)	(3,123)
		(33,064)		Taxation and Non-Specific Grant Income and Expenditure (Note 11)	19,339	(50,702)	(31,363)
		<b>(2,324)</b>		<b>(Surplus) or Deficit on Provision of Services</b>			<b>(5,797)</b>
				<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
			3,512	(Surplus) or deficit on revaluation of property, plant & equipment assets			(10,212)
			13,225	Remeasurement of the Net Defined Benefit Liability			(16,866)
		<b>16,736</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>(27,076)</b>
		<b>14,413</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>(32,873)</b>

## MOVEMENT IN RESERVES STATEMENT

For the years ending 31<sup>st</sup> March 2021 & 2022

Current Year	General Fund Balance Unallocated £000	Earmarked GF Balances £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 1st April 2021</b>	10,274	22,965	33,231	459	0	33,691	14,546	48,237
<b>Movement in Reserves during 2021/22</b>								
Total Comprehensive Income & Expenditure	5,797	0	5,797	0	0	5,797	27,078	32,873
Adjustments between accounting basis & funding basis under regulation (Note 6)	(5,155)	0	(5,155)	(171)	1,172	(4,154)	4,153	(1)
Movements between Reserves	1,602	(1,606)	(4)	0	0	(4)	4	0
<b>Increase or Decrease in 2021/22</b>	<b>2,244</b>	<b>(1,606)</b>	<b>638</b>	<b>(171)</b>	<b>1,172</b>	<b>1,641</b>	<b>31,237</b>	<b>32,872</b>
<b>Balance at 31st March 2022</b>	<b>12,518</b>	<b>21,360</b>	<b>33,870</b>	<b>288</b>	<b>1,172</b>	<b>35,334</b>	<b>45,781</b>	<b>81,115</b>

Comparative Year	General Fund Balance £000	Earmarked GF Balances £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
<b>Balance at 1st April 2020</b>	8,821	7,820	16,641	552	0	17,193	45,462	62,655
<b>Movement in Reserves during 2020/21</b>								
Total Comprehensive Income & Expenditure	2,324	0	2,324	0	0	2,324	(16,737)	(14,413)
Adjustments between accounting basis & funding basis under regulation (Note 6)	14,365	(90)	14,275	(93)	0	14,183	(14,183)	0
Movements between Reserves	(15,235)	15,235						0
<b>Increase or Decrease in 2020/21</b>	<b>1,454</b>	<b>15,145</b>	<b>16,599</b>	<b>(93)</b>	<b>0</b>	<b>16,500</b>	<b>(30,918)</b>	<b>(14,418)</b>
<b>Balance at 31st March 2021</b>	<b>10,274</b>	<b>22,965</b>	<b>33,231</b>	<b>459</b>	<b>0</b>	<b>33,691</b>	<b>14,546</b>	<b>48,237</b>

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 31<sup>st</sup> March 2021 & 2022**

<b>31st March 2020 (Restated) £000</b>	<b>31st March 2021 (Restated) £000</b>		<b>Notes</b>	<b>31st March 2022 £000</b>
110,174	113,479	Property, Plant & Equipment	<b>17</b>	135,806
30,221	37,889	Investment Property	<b>18</b>	43,395
13,309	13,349	Heritage Assets	<b>19</b>	13,349
654	818	Intangible Assets		1,139
62	2,141	Long Term Debtors	<b>23</b>	1,109
<b>154,420</b>	<b>167,676</b>	<b>Long Term Assets</b>		<b>194,798</b>
0	2,000	Short Term Investments	<b>20</b>	5,000
7,242	5,153	Inventories	<b>22</b>	145
17,138	17,913	Short Term Debtors	<b>23</b>	14,297
11,028	14,163	Cash & Cash Equivalents	<b>24</b>	33,753
<b>35,408</b>	<b>39,229</b>	<b>Current Assets</b>		<b>53,195</b>
341	3,380	Bank Overdraft	<b>24</b>	101
11,000	11,000	Short Term Borrowing	<b>20</b>	4,000
29,377	41,503	Short Term Creditors	<b>25</b>	67,209
1,164	1,511	Provisions	<b>26</b>	1,565
517	537	Deferred Liability	<b>28</b>	567
3,979	3,937	Capital Grants Receipts in Advance	<b>15</b>	3,053
<b>46,378</b>	<b>61,868</b>	<b>Current Liabilities</b>		<b>76,494</b>
1,400	1,652	Provisions	<b>26</b>	1,801
0	0	Long Term Borrowing		5,000
2,020	1,483	Deferred Liability	<b>28</b>	914
3,696	3,880	Capital Grants Receipts in Advance	<b>15</b>	4,775
73,677	89,783	Net Pension Liability	<b>32</b>	77,890
<b>80,794</b>	<b>96,799</b>	<b>Long Term Liabilities</b>		<b>90,382</b>
<b>62,655</b>	<b>48,237</b>	<b>Net Assets</b>		<b>81,115</b>
17,193	33,691	Usable Reserves	<b>7</b>	35,334
45,462	14,546	Unusable Reserves	<b>30</b>	45,781
<b>62,655</b>	<b>48,237</b>	<b>Total Reserves</b>		<b>81,115</b>

Opening balances reflect adjustments to the Heritage Asset line following identification of a prior period error. Full details are disclosed within note 19

**CASHFLOW STATEMENT**

<b>2020/21</b> <b>£000</b>		<b>Notes</b>	<b>2021/22</b> <b>£000</b>
(2,324)	Net (surplus) or deficit on the provision of services		(5,797)
(22,082)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>35</b>	(28,953)
8,603	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	<b>36</b>	8,274
<b>(15,804)</b>	<b>Net cash flows from Operating activities</b>		<b>(26,477)</b>
19,614	Investing Activities	<b>37</b>	18,564
(3,906)	Financing Activities	<b>38</b>	(14,956)
<b>(97)</b>	<b>Net increase or decrease in cash &amp; cash equivalents</b>		<b>(22,869)</b>
(10,687)	Cash & cash equivalents at the beginning of the reporting period		(10,783)
<b>(10,783)</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>		<b>(33,652)</b>

## NOTES TO THE ACCOUNTS

### 1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31<sup>st</sup> March 2021 & 2022

2020/21		Net Expenditure in the Comprehensive Income & Expenditure Statement Committee (See note)		2021/22		Net Expenditure in the Comprehensive Income & Expenditure Statement	
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	£000		Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	£000	£000
10,192	(7,557)	2,635	Policy & Resources	8,376	(3,839)	4,538	
8,769	4,072	12,841	Communities, Housing & Environment	7,484	3,445	10,929	
2,880	2,643	5,523	Economic, Regeneration & Leisure	1,803	8,729	10,532	
1,251	2,347	3,598	Strategic Planning & Infrastructure	29	1,233	1,263	
<b>23,092</b>	<b>1,505</b>	<b>24,597</b>	<b>Net Cost Of Services</b>	<b>17,692</b>	<b>9,569</b>	<b>27,261</b>	
(11,053)	(15,870)	(26,923)	Other Income & Expenditure	(28,645)	(4,414)	(33,059)	
<b>12,038</b>	<b>(14,365)</b>	<b>(2,326)</b>	<b>(Surplus) or Deficit</b>	<b>(10,953)</b>	<b>5,155</b>	<b>(5,797)</b>	
		16,648	Opening General Fund Balance			33,239	
		(14,265)	Adjustments between Accounting & Funding Basis			5,155	
		<b>33,239</b>	<b>Closing General Fund Balance at 31st March</b>			<b>33,878</b>	



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 2021/22				
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	1,066	1,757	(6,661)	(3,839)
Communities, Housing & Environment	2,923		521	3,445
Economic, Regeneration & Leisure	8,056		673	8,729
Strategic Planning & Infrastructure	(348)		1,582	1,233
<b>Net Cost of Services</b>	<b>11,697</b>	<b>1,757</b>	<b>(3,886)</b>	<b>9,568</b>
Other income and expenditure from the Expenditure & Funding Analysis	(11,697)	(1,757)	9,041	(4,414)
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>0</b>	<b>0</b>	<b>5,155</b>	<b>5,155</b>

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
<b>Net Cost of Services</b>	<b>1,437</b>	<b>1,687</b>	<b>(1,619)</b>	<b>1,504</b>
Other income and expenditure from the Expenditure & Funding Analysis	(6,341)	(1,687)	(7,842)	(15,870)
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(4,904)</b>	<b>0</b>	<b>(9,461)</b>	<b>(14,366)</b>

**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**

	2020/21 £000	2021/22 £000
<b>Expenditure</b>		
Employee Benefit Expenses	22,762	25,426
Other Services Expenses	92,766	94,952
Depreciation, Amortisation, Impairment	9,310	3,022
Interest Payments	153	126
Precepts & Levies	282	2,240
<b>Total Expenditure</b>	<b>125,273</b>	<b>125,766</b>
<b>Income</b>		
Fees, Charges & Other Service Income	(25,871)	(30,461)
Interest & Investment Income	(36)	(72)
Income from Council Tax & NDR	(43,191)	(45,459)
Government Grants & Contributions	(54,611)	(47,751)
Changes in the Fair Value of Investment Properties	(3,887)	(7,820)
<b>Total Income</b>	<b>(127,597)</b>	<b>(131,563)</b>
<b>(Surplus) or Deficit on the Provision of Services</b>	<b>(2,325)</b>	<b>(5,797)</b>

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:

<b>Service Area</b>	<b>2020/21 £000</b>	<b>2021/22 £000</b>
Accommodation	(512)	(1,084)
Central Services	(807)	(737)
Cultural & Related Services	(308)	(916)
Environment & Regulatory Services	(4,104)	(4,071)
Housing Services	(1,503)	(1,659)
Other Services	(833)	(1,216)
Other Support Services	(2,329)	(2,424)
Parking Services	(2,443)	(3,880)
Planning & Economic Development	(2,754)	(5,285)
Property Services	(3,997)	(2,573)
<b>Fees, Charges &amp; Other Service Income</b>	<b>(19,590)</b>	<b>(23,844)</b>

## 2 - ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22, 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 £5,000 in the revenue accounts, and £10,000 in the capital accounts.

### **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 Comprehensive Income & Expenditure Statement 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 - 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. The acquisition of Maidstone House did meet the criteria for a finance lease,

but due to the nature of the arrangement it is accounted for as an operational asset.

- 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 review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- 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 Temporary Accommodation Properties Valuations was identified as necessary due to potential change in values. The relevant accounting policy states assets which should be valued using market-based evidence of fair value. In practice they have not been valued using direct market-based evidence at 31<sup>st</sup> March 2022, but using market-based evidence (from comparable sales in Maidstone relevant to these types of property) at 31<sup>st</sup> March 2023 and applying an indexation approach to estimate the values at the previous year-end of 31<sup>st</sup> March 2022. This will not lead to a material difference compared with using comparable sales information relevant to these properties at 31<sup>st</sup> March 2022. Going forward these assets will be valued more regularly to mitigate the potential risk of changing values.
- 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.

#### 4 - 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 31<sup>st</sup> March 2022 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
<b>Property valuations</b>	<p>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.</p> <p>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.</p> <p>Valuations have been undertaken in accordance with the latest professional guidance.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	<p>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 £9.9m. This would not impact on the general fund balance.</p> <p>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.</p>



<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
<b>Fair Value of Investment Property</b>	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.	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>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 £4.1m. This would not impact on the general fund balance.</p>
<b>Depreciation</b>	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 £0.1m for every year that useful lives had to be reduced.
<b>Pensions Liability</b>	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.	<ul style="list-style-type: none"> <li>• A 1.0% increase in the discount rate will reduce the net pension liability by £37.9m;</li> <li>• A 1.0% increase in the assumed level of pension increases and deferred revaluation will increase the net pension liability by £46.9m;</li> </ul>

<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
	<p>The ongoing changes to the UK financial environment do make the valuation of the pension liability subject to potential variation. With the regular valuation process to assess the liability we are confident that there is regular oversight of the pension liability. The sensitivity analysis allows us to assess the potential impacts of changes. At present the current long term assumptions seem prudent. The councils have a sound financial base and therefore would be able to manage changes to contribution rates.</p>	<ul style="list-style-type: none"> <li>• An increase of one year in longevity will increase the net pension liability by £9.8m.</li> </ul>
<b>Arrears</b>	<p>At 31st March 2022 the Council had a balance of sundry debtors for £15m. A review of significant balances suggested that an impairment allowance for bad debts of £4.8m 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.</p>	<p>If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2.4m to be set aside as an allowance.</p>
<b>Non-Domestic Rates Appeals</b>	<p>The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £7.2m has therefore been created to recognise current and backdated appeals. The council's share of the</p>	<p>If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.728m would be required overall, and the council's share of the provision would increase by £0.289m.</p>

<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
	<p>provision of £2.9m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA.</p> <p>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.</p> <p>These calculations are made with reference to information supplied by an external advisor, Analyse Local.</p> <p>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.</p>	
<b>Brexit</b>	<p>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.</p>	<p>Depending on the continuing 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.</p>

## **5 - 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 2022/23 financial statements in respect of accounting changes that are introduced in the 2022/23 Code are:

- Implementation of IFRS 16 - Leases
- Service concession arrangements liability measurement

There are a number of other new standards being issued or updated, but these are not expected to be relevant to the 2022/23 financial Statements for Maidstone.

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.

## **6 - 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.

2021/22	Usable Reserves		
	General Fund balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000
<b>Adjustments to the Revenue Resources</b>			
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)	4,973	0	0
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(7,396)	0	0
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	0	0
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)	12,903	(1,172)	0
<b>Total Adjustments to Revenue Resources</b>	<b>10,475</b>	<b>(1,172)</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,312)	0	4,329
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,403)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,969)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(11,684)</b>	<b>0</b>	<b>4,329</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,500)
Application of capital grants to finance capital expenditure	(3,945)	0	0
<b>Total Adjustments to Capital Resources</b>	<b>(3,945)</b>	<b>0</b>	<b>(4,500)</b>
<b>Total Adjustments</b>	<b>(5,155)</b>	<b>(1,172)</b>	<b>(171)</b>

2020/21 Comparative Figures	Usable Reserves		
	General Fund balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £000
<b>Adjustments to the Revenue Resources</b>			
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	0	0
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	13,069	0	0
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	0	0
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	0	0
<b>Total Adjustments to Revenue Resources</b>	<b>29,269</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,535)	0	3,554
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(517)	0	0
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,801)	0	0
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(9,853)</b>	<b>0</b>	<b>3,554</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(3,647)
Application of capital grants to finance capital expenditure	(5,051)	0	0
<b>Total Adjustments to Capital Resources</b>	<b>(5,051)</b>	<b>0</b>	<b>(3,647)</b>
<b>Total Adjustments</b>	<b>14,366</b>	<b>0</b>	<b>(93)</b>

## 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.

## 7 – EARMARKED RESERVES

Within the General Fund balance of £33.879m 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 2020/21 £000		31st March 2021 £000	Contributions to/from Balances 2021/22 £000	31st March 2022 £000
309	(309)	Local Plan Review	0	0	0
75	21	Neighbourhood Planning	96	0	96
286	0	Planning Appeals	286	0	286
32	0	Trading Accounts	32	(32)	0
164	(8)	Civil Parking Enforcement	155	245	400
431	700	Future Capital Expenditure	1,131	1,295	2,426
1,589	(618)	Future Funding Pressures	970	0	970
681	92	Homelessness Prevention & Temporary Accommodation Business Rates Earmarked	773	506	1,279
3,887	(113)	Balances	3,774	(90)	3,684
31	(31)	Occupational Health & Safety	0	0	0
335	(335)	Lockmeadow Complex Funding for Future Collection Fund	0	0	0
0	14,739	Deficits	14,739	(4,453)	10,286
0	500	Commercial Risk	500	0	500
0	500	Invest to Save	500	0	500
0	0	Recovery and Renewal Reserve	0	778	778
0	0	Renewable Energy	0	119	119
0	0	Enterprise Zone	0	4	4
<b>7,820</b>	<b>15,138</b>	<b>Total Earmarked Reserves</b>	<b>22,955</b>	<b>(1,627)</b>	<b>21,328</b>
8,819	1,454	Unallocated Balances	10,273	2,278	12,551
<b>16,639</b>	<b>16,592</b>	<b>Total General Fund Reserves</b>	<b>33,228</b>	<b>651</b>	<b>33,879</b>

**Description of Earmarked Reserves:**

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

**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.

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

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

**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.

**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.

**Business Rates Earmarked Balances** – 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.

**Funding for Future Collection Fund Deficits** – These are sums that were set aside from government funding received during Covid-19 pandemic. It was anticipated that the pandemic would have a negative effect on the Collection Fund so this reserve will help smooth that impact.

**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.

**Recovery & Renewal Reserve** – These are sums aside from Government funding to support various initiatives across the Borough in recovering from the after-effects of the Covid-19 pandemic.

**Renewable Energy** – This reserve uses funding from retained Business Rates to support the development of renewable energy sources to support the Council's climate change initiatives.

**Enterprise Zone** - This reserve uses funding from retained Business Rates to support the development of the Kent Medical Campus.



## 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.

## 8 - 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 broadly consistent with the materiality calculation used as part of the annual external audit of the Statement of Accounts. The figure used for the purpose of this note is £1.9m for 2021/22.

## 9 - OTHER OPERATING EXPENDITURE

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

	2020/21	2021/22
	£000	£000
Parish Council precepts	2,130	2,240
Levies	120	127
(Gains)/losses on the disposal of non-current assets	142	(939)
	<b>2,393</b>	<b>1,428</b>

## 10 - 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.

	2020/21 £000	2021/22 £000
Interest payable and similar charges	152	126
Net Interest on the Net Defined Benefit Liability		
	1,687	1,758
Interest receivable and similar income	(36)	(72)
<b>Income &amp; Expenditure in relation to Investment properties and changes in their fair value:</b>		
Income	(4,576)	(6,065)
Expenditure	6,522	1,130
	<b>3,749</b>	<b>(3,122)</b>

## 11 - TAXATION & NON-SPECIFIC GRANT INCOMES

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

<b>Credited to Taxation &amp; Non Specific Grant Income</b>	2020/21 £000	2021/22 £000
Council tax income	18,994	20,540
Income from Retained Business Rates	24,160	24,908
Tariff Payable	(19,339)	(19,339)
Levy Payable	(70)	0
Covid-19 Grants	4,846	1,259
Non-ringfenced Government Grants	4,472	3,995
<b>Total</b>	<b>33,064</b>	<b>31,363</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	36,898	33,423
Non-Domestic Rates - Cost of Collection	205	222
Council Tax Administration	146	160
Covid-19 Grants	5,736	4,386
Other Grants	1,817	4,326
<b>Total</b>	<b>44,802</b>	<b>42,517</b>

In 2020/21 and 2021/22 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.

## **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 Receipts in Advance Reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

### **12 - MEMBERS' ALLOWANCES**

The amount of Members Allowances paid during 2021/22 totalled £367,153 (£359,191 in 2020/21).

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

**13 – OFFICERS REMUNERATION**

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

<b>2021/22</b>	<b>Salary (Including Fees)</b>	<b>Other Payments, Allowances &amp; Benefits in Kind</b>	<b>Total Remuneration excluding Pension Contributions</b>	<b>Pension Contributions</b>	<b>Total Remuneration including Pension Contributions</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Chief Executive (Alison Broom)	152	3	<b>155</b>	26	<b>181</b>
Director of Finance & Business Improvement	106	1	<b>107</b>	19	<b>126</b>
Director of Regeneration & Place	106	1	<b>107</b>	19	<b>125</b>
Director of Mid-Kent Services	89	1	<b>90</b>	15	<b>105</b>

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

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	2020/21 No. of Employees	2021/22 No. of Employees
£50,000 - £54,999	5	7
£55,000 - £59,999	6	5
£60,000 - £64,999	5	8
£65,000 - £69,999	3	1
£70,000 - £74,999	2	2
£75,000 - £79,999	2	1
£80,000 - £84,999	2	1
£85,000 - £89,999	1	2
£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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
£0 - £20,000	1	0	2	0	3	0	£000	£000
£20,001 - £40,000	0	0	0	0	0	0	16	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
<b>Total</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>16</b>	<b>0</b>

#### 14 - 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.

	2020/21 £000	2021/22 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	62	65
Fees payable for the certification of grant claims and returns during the year	44	25
<b>Total</b>	<b>106</b>	<b>90</b>

#### 15 – 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:

	2020/21 £000	2021/22 £000
<b>Balance at start of year:</b>	7,676	7,817
Grants Received	6,885	6,076
Transfers	(1,695)	(2,118)
Funding used for capital expenditure	(5,051)	(3,945)
<b>Balance at end of year:</b>	<b>7,817</b>	<b>7,830</b>

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31<sup>st</sup> March 2023) £4.225m and long-term (expected to be used after 1<sup>st</sup> April 2024) £4.775m.

The majority of the balance (£5.0m) relates to Section 106 monies held by the Council for future use. There is also a further £2.3m 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.

	2020/21 £000	2021/22 £000
<b>Balance at start of year:</b>	0	0
Grants Received	0	0
Transfers	0	1,172
Funding used for capital expenditure	0	0
<b>Balance at end of year:</b>	<b>0</b>	<b>1,172</b>

## 16 - 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 2021/22 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
- Director of Mid-Kent Services
- Head of Housing and Community Services
- Principal Lawyer - Commercial

The Balance Sheet as at 31st March 2022, reflects £359,129 (2020/21, £138,340) which is payable from Maidstone Property Holdings Limited to Maidstone Borough Council, relating to income and expenditure for the 2021/22 financial year.

**17 - PROPERTY, PLANT & EQUIPMENT****Movements on Balances**

<b>Movements in 2021/22</b>	<b>Infrastructure Assets £000</b>	<b>Land &amp; Buildings £000</b>	<b>Plant, Machinery &amp; Equipment £000</b>	<b>Vehicles £000</b>	<b>IT &amp; Office Equipment £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuations</b>								
At 1st April 2021	6,222	91,098	17,078	1,979	4,462	3,999	10,695	<b>135,535</b>
Additions	233	16,198	653	369	147	282	3,782	<b>21,664</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	3,029	0	0	0	0	0	<b>3,029</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(7,452)	0	0	0	0	0	<b>(7,452)</b>
Derecognition of assets	0	(17)	0	(66)	0	0	0	<b>(83)</b>
Other movements in cost or valuation	0	11,797	0	0	0	0	(11,355)	<b>442</b>
At 31st March 2022	<b>6,455</b>	<b>114,653</b>	<b>17,731</b>	<b>2,282</b>	<b>4,609</b>	<b>4,281</b>	<b>3,122</b>	<b>153,135</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2021	(3,930)	(5,282)	(8,095)	(1,054)	(3,694)	0	0	<b>(22,055)</b>
Depreciation charge	1,672	(2,753)	(1,013)	(379)	(416)	0	0	<b>(2,889)</b>
Depreciation written out to the Revaluation Reserve	0	7,568	0	0	0	0	0	<b>7,568</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition of assets/Other Movements	0	0	0	49	0	0	0	<b>49</b>
At 31st March 2022	<b>(2,258)</b>	<b>(467)</b>	<b>(9,108)</b>	<b>(1,384)</b>	<b>(4,110)</b>	<b>0</b>	<b>0</b>	<b>(17,327)</b>
<b>Net Book Value</b>								
<b>At 31st March 2022</b>	<b>4,197</b>	<b>114,186</b>	<b>8,623</b>	<b>898</b>	<b>499</b>	<b>4,281</b>	<b>3,122</b>	<b>135,806</b>
At 31st March 2021	2,293	85,816	8,982	925	768	3,999	10,695	<b>113,479</b>



<b>Movements in 2020/21</b>	<b>Infrastructure Assets £000</b>	<b>Land &amp; Buildings £000</b>	<b>Plant, Machinery &amp; Equipment £000</b>	<b>Vehicles £000</b>	<b>IT &amp; Office Equipment £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuations</b>								
At 1st April 2020	5,073	94,621	16,956	1,751	4,460	3,701	2,391	<b>128,955</b>
Additions	1,149	5,738	489	273	55	298	8,304	<b>16,306</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(5,130)	0	0	0	0	0	<b>(5,130)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(4,301)	0	0	0	0	0	<b>(4,301)</b>
Derecognition of assets	0	(79)	(62)	(100)	(53)	0	0	<b>(294)</b>
Other movements in cost or valuation	0	250	(305)	55	0	0	0	<b>0</b>
At 31st March 2021	6,222	91,099	17,078	1,979	4,462	3,999	10,695	<b>135,536</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2020	(3,638)	(3,868)	(7,137)	(785)	(3,350)	0	0	<b>(18,779)</b>
Depreciation charge	(291)	(3,033)	(1,021)	(350)	(397)	0	0	<b>(5,092)</b>
Depreciation written out to the Revaluation Reserve	0	1,620	0	0	0	0	0	<b>1,620</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Derecognition of assets	0	0	62	81	53	0	0	<b>196</b>
At 31st March 2021	(3,929)	(5,281)	(8,096)	(1,054)	(3,694)	0	0	<b>(22,055)</b>
<b>Net Book Value</b>								
<b>At 31st March 2021</b>	<b>2,293</b>	<b>85,816</b>	<b>8,982</b>	<b>925</b>	<b>768</b>	<b>3,999</b>	<b>10,695</b>	<b>113,479</b>
At 31st March 2020	1,435	90,746	9,779	959	1,161	3,701	2,391	<b>110,172</b>

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.

<b>Analysis of Land &amp; Buildings Movements 2021/22</b>	<b>Car Parks</b>	<b>Cemetery &amp; Crematorium</b>	<b>Depots, Workshops &amp; Toolsheds</b>	<b>Entertainment Complex</b>	<b>Halls &amp; Pavilions</b>	<b>Housing</b>	<b>Land</b>	<b>Leisure Centres &amp; Pools</b>	<b>Markets</b>	<b>Museums &amp; Galleries</b>	<b>Offices</b>	<b>Parks &amp; Open Spaces</b>	<b>Public Conveniences</b>	<b>Residential / Commercial</b>	<b>Theatres</b>	<b>Town Hall</b>	<b>Total Land &amp; Buildings</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuations</b>																	
At 1st April 2021	12,495	2,184	1,960	21,353	3,764	13,961	347	7,891	1,720	11,300	0	1,693	1,501	4,824	4,952	1,154	<b>91,098</b>
Additions	22	299	31	1,228	51	237	529	0		3	7,540			6,139	7	134	<b>16,222</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,940				533	427	30			412	119	440		(1,044)	172		<b>3,029</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(162)			(258)		(12)		(532)			(75)			(6,403)		(8)	<b>(7,452)</b>
Derecognition of Assets	(41)																<b>(41)</b>
Other movements in cost or valuation						778								11,019			<b>11,797</b>
<b>At 31st March 2022</b>	<b>14,254</b>	<b>2,483</b>	<b>1,992</b>	<b>22,323</b>	<b>4,348</b>	<b>15,391</b>	<b>906</b>	<b>7,359</b>	<b>1,720</b>	<b>11,715</b>	<b>7,584</b>	<b>2,133</b>	<b>1,501</b>	<b>14,534</b>	<b>5,132</b>	<b>1,280</b>	<b>114,654</b>
<b>Accumulated Depreciation &amp; Impairment</b>																	
At 1st April 2021	12	(61)	(21)	0	(1,149)	(2,575)	(39)	(2)	(42)	1	0	(149)	(0)	(1,112)	(119)	(25)	<b>(5,281)</b>
Depreciation charge		(38)	(36)	(450)	(361)	(1,076)		(149)	(27)	(236)	(43)		(101)	(125)	(90)	(18)	<b>(2,751)</b>
Depreciation written out to the Revaluation Reserve			89	450	1,508			149		236	43			4,840	210	42	<b>7,568</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	<b>0</b>
Other movements in cost or valuation																	<b>0</b>
<b>At 31st March 2022</b>	<b>12</b>	<b>(99)</b>	<b>32</b>	<b>0</b>	<b>(2)</b>	<b>(3,651)</b>	<b>(39)</b>	<b>(2)</b>	<b>(70)</b>	<b>1</b>		<b>(149)</b>	<b>(102)</b>	<b>3,603</b>	<b>1</b>	<b>(1)</b>	<b>(465)</b>
<b>Net Book Value</b>																	
<b>At 31st March 2022</b>	<b>14,266</b>	<b>2,384</b>	<b>2,024</b>	<b>22,323</b>	<b>4,346</b>	<b>11,740</b>	<b>867</b>	<b>7,357</b>	<b>1,650</b>	<b>11,716</b>	<b>7,584</b>	<b>1,984</b>	<b>1,400</b>	<b>18,137</b>	<b>5,133</b>	<b>1,279</b>	<b>114,191</b>
At 31st March 2021	12,507	2,123	1,940	21,353	2,615	11,378	308	7,889	1,678	11,301	0	1,544	1,501	3,712	4,833	1,129	85,813

<b>Analysis of Land &amp; Buildings Movements 2020/21</b>	<b>Car Parks</b>	<b>Cemetery &amp; Crematorium</b>	<b>Depots, Workshops &amp; Toolsheds</b>	<b>Entertainment Complex</b>	<b>Halls &amp; Pavilions</b>	<b>Housing</b>	<b>Land</b>	<b>Leisure Centres &amp; Pools</b>	<b>Markets</b>	<b>Museums &amp; Galleries</b>	<b>Offices</b>	<b>Parks &amp; Open Spaces</b>	<b>Public Conveniences</b>	<b>Residential / Commercial</b>	<b>Theatres</b>	<b>Town Hall</b>	<b>Total Land &amp; Buildings</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuations</b>																	
At 1st April 2020	16,047	2,181	1,960	22,500	3,760	12,573	285	8,056	1,720	12,465	0	473	1,680	4,824	4,952	1,150	<b>94,625</b>
Additions		3		4,150	4	1,514	63									4	<b>5,738</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,957)			(1,644)		9		(165)	0	(1,165)		970	(179)				<b>(5,130)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(595)			(3,574)		(131)											<b>(4,301)</b>
Derecognition of Assets				(79)													<b>(79)</b>
Other movements in cost or valuation												250					<b>250</b>
<b>At 31st March 2021</b>	<b>12,495</b>	<b>2,184</b>	<b>1,960</b>	<b>21,353</b>	<b>3,764</b>	<b>13,965</b>	<b>347</b>	<b>7,891</b>	<b>1,720</b>	<b>11,300</b>	<b>0</b>	<b>1,693</b>	<b>1,501</b>	<b>4,824</b>	<b>4,952</b>	<b>1,154</b>	<b>91,102</b>
Accumulated Depreciation & Impairment																	
At 1st April 2020	12	(23)	17	(150)	(788)	(1,506)	(39)	(51)	(15)	(78)		(93)	(405)	(720)	(29)	(7)	<b>(3,875)</b>
Depreciation charge		(38)	(38)	(450)	(361)	(1,076)		(149)	(27)	(236)		(56)	(101)	(392)	(90)	(18)	<b>(3,033)</b>
Depreciation written out to the Revaluation Reserve				600				199		315			506				<b>1,620</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	<b>0</b>
<b>Other movements in cost or valuation</b>																	<b>0</b>
At 31st March 2021	12	(61)	(21)	0	(1,149)	(2,582)	(39)	(2)	(42)	1		(149)	(0)	(1,112)	(119)	(25)	<b>(5,289)</b>
Net Book Value																	
<b>At 31st March 2021</b>	<b>12,507</b>	<b>2,123</b>	<b>1,940</b>	<b>21,353</b>	<b>2,615</b>	<b>11,383</b>	<b>308</b>	<b>7,889</b>	<b>1,678</b>	<b>11,301</b>	<b>0</b>	<b>1,544</b>	<b>1,501</b>	<b>3,712</b>	<b>4,833</b>	<b>1,129</b>	<b>85,813</b>
At 31st March 2020	16,059	2,158	1,978	22,350	2,972	11,070	246	8,005	1,705	12,387	0	380	1,275	4,103	4,923	1,143	90,751

Prior to 1<sup>st</sup> April 2008 Community Assets had been valued at £1 each, with any expenditure incurred written off annually as Revenue Expenditure charged to Capital under Statute. These are assets that the Council intends to hold in perpetuity and therefore they have no market value, but they still need to be recognised on the Balance Sheet. The types of asset held under this classification are mainly the parks and open spaces within the borough.

From 1<sup>st</sup> April 2008 Community Assets had to be recorded on the Balance Sheet at Historic Cost. Due to the age and nature of many of the assets it is was not possible to ascertain an accurate historical cost, but expenditure incurred is now added to the value of the asset.

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

### Capital Commitments

As at 31<sup>st</sup> March 2022 the Council had the following capital commitments:

<b>2020/21</b>	<b>2021/22</b>
<b>£000 Project</b>	<b>£000</b>
Springfield Mill Block 6	731
2,590 Mote Park Café/Visitor Centre	1,309
Gypsy Site Refurbishment Works	1,497
108 Union Street housing development	0
147 Brunswick Street housing development	0
1,144 Springfield Mill housing development	0
936 Mall Bus Station	0
1,249 Kent Medical Campus - Innovation Centre	0
<b>6,174</b>	<b>3,537</b>

### 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 31<sup>st</sup> March 2022 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 1<sup>st</sup> 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	6,455	4,281	407	17,731	2,283	4,609	3,122	38,887
Valued at current value as at:								
31st March 2018			0					0
31st March 2019			225					225
31st March 2020			4,996					4,996
31st March 2021			1,495					1,495
31st March 2022			107,530					107,530
<b>Total Cost or Valuation</b>	<b>6,455</b>	<b>4,281</b>	<b>114,653</b>	<b>17,731</b>	<b>2,283</b>	<b>4,609</b>	<b>3,122</b>	<b>153,133</b>

### 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 and Assets Under Construction - Depreciated Historical Cost.
- Community Assets – Under previous capital regulations these were all valued at £1 each. Since the change of regulations in 2008/09 any subsequent expenditure has been recorded as historic cost, as due to the nature of these assets it is not possible to revalue them.
- 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 1<sup>st</sup> 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, with the exception of pedestrian footbridges which are over 50 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.

## 18 - 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:

	2020/21 £000	2021/22 £000
Rental income from investment property	(2,961)	(2,380)
Direct operating expenses arising from investment property	994	443
<b>Net (gain)/loss</b>	<b>(1,967)</b>	<b>(1,937)</b>

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

	Investment Properties £000	Assets Under Construction £000	2020/21 £000	Investment Properties £000	Assets Under Construction £000	2021/22 £000
Balance at start of the year	23,270	6,951	30,221	25,697	12,192	37,889
Additions	2,027	7,241	9,267	202	2,349	2,551
Transfers		(2,000)	(2,000)	11,506	(11,948)	(442)
Net gains/losses from fair value adjustments	400		400	3,396		3,396
<b>Balance at end of year</b>	<b>25,697</b>	<b>12,192</b>	<b>37,889</b>	<b>40,802</b>	<b>2,593</b>	<b>43,395</b>

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.

## 19 – 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 2021	12,006	480	515	348	13,349
Additions					0
Disposals					0
<b>31st March 2022</b>	<b>12,006</b>	<b>480</b>	<b>515</b>	<b>348</b>	<b>13,349</b>
1st April 2020	12,006	480	515	308	13,309
Additions				40	40
Disposals					0
<b>31st March 2021</b>	<b>12,006</b>	<b>480</b>	<b>515</b>	<b>348</b>	<b>13,349</b>

The opening balance for the Museum Exhibits has been adjusted to reflect updated values of the exhibits. Further details are shown below in the Prior Period Adjustment section.

## **Museum Exhibits**

The exhibits are held in two main locations, the Maidstone Museum & Bentsley 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 £12.006m represents those items that have been valued to date as part of an ongoing cataloguing exercise. 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, and the cataloguing exercise will continue.

## **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.

## Prior Period Adjustment

### Nature of the prior period adjustment

While preparing the financial statements for the year to 31<sup>st</sup> March 2022, it was identified that the value of the exhibits at the museum was understated by £2.915m. This followed work that had been done to review the collection, which of a significant size and therefore no review had taken place for a number of years. Going forward it has been agreed that the value of the highest value assets will be reviewed on a regular basis to ensure that the value is as accurate as is reasonably possible.

### Amount of correction for each financial statement line affected

#### Balance Sheet

Restated balance at 1st April 2020	Balance Sheet line item affected	Original balance disclosed at 31st March 2021	Restated balance at 31st March 2021	Value of correction 31st March 2021
£000		£000	£000	£000
13,309	Heritage Assets	10,433	13,348	2,915
<b>154,420</b>	<b>Long Term Assets</b>	<b>164,760</b>	<b>167,675</b>	<b>2,915</b>
<b>62,655</b>	<b>Net Assets</b>	<b>45,321</b>	<b>48,236</b>	<b>2,915</b>
45,462	Unusable Reserves	11,630	14,545	2,915
<b>62,655</b>	<b>Total Reserves</b>	<b>45,321</b>	<b>48,236</b>	<b>2,915</b>

## 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.

## 20 - 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 2021 £000	31st March 2022 £000	31st March 2021 £000	31st March 2022 £000
<b>Treasury Investments</b>				
Financial assets at amortised cost	0	0	16,160	38,750
<b>Debtors</b>				
Financial assets at amortised cost	37	25	10,589	10,259
<b>Loans</b>				
Financial liabilities at amortised cost	0	5,000	11,000	4,000
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	16,160	7,677
<b>Other Long Term Liabilities</b>				
Finance Lease Liabilities at amortised cost	1,483	905	537	567

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.

Investments of £38.75m are held in short dated instruments, call accounts, notice accounts, money market funds and short dated fixed term deposits. 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 £24k (Business Improvement District Levy) short-term. The Council has no other long-term debtors, and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council's treasury management loan balance of £9m is made up of £4m short dated loans and £5m long term loans. Long term loans are 50 year maturity loans with the Public Works Loans Board (PWLB).

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 28 – 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 2021 £000	31st March 2022 £000	31st March 2021 £000	31st March 2022 £000
<b>Income:</b>				
Financial assets at amortised cost	0	0	30	72
Other Interest	0	0	6	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>36</b>	<b>72</b>
<b>Expenditure:</b>				
Financial liabilities at amortised cost	0	0	38	30
<b>Total</b>	<b>0</b>	<b>0</b>	<b>38</b>	<b>30</b>

### 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 2021		Fair Value Level	31st March 2022	
	Book Value £000	Fair Value £000		Book Value £000	Fair Value £000
<b>Financial Assets</b>					
Long Term Investments	0	0	2	0	0
Short Term Investments (less than 1 yr)	16,177	16,177	2	38,791	38,783
<b>Financial Liabilities</b>					
Long Term Loans	0	0	2	5,025	3,920
Short Term Loans (less than 1 yr)	11,003	11,004	2	4,002	3,992

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes fixed rates loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loan of £3.92m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The fair value amount is lower than the balance sheet current value is due to the PWLB loans being at a lower rate to what would be paid if the loan was at the current PWLB new loan rate.

The fair value of of assets is less than the carrying amount due to the credit risk of a default from institutions with fixed term deposits, however as these investments are very short term, this amount is not material.

### Borrowing

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Below is a table showing the maturity profile of current loans.

<b>Time to Maturity</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000s</b>	<b>£000s</b>
Under 12 months	11,000	4,000
12 months to under 24 months	0	0
24 months to under 5 years	0	0
5 years to under 10 years	0	0
10 years and within 20 years	0	0
20 years and within 30 years	0	0
30 years and within 40 years	0	0
40 years and within 50 years	0	5,000

There are two long-term loans with the Public Works Loans Board, for £2.0m and £3.0m which mature in November and December 2071 respectively.

## **21 - 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 2021/22

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.
- Increase previous counterparty limits due to the increased grant funding from Central Government in relation to COVID19 which were being held until grants were paid to individuals and businesses.

### 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 31<sup>st</sup> March 2022 investments were held with the following institutions:

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
AAA rated Institutions	0	9,750
AA+ rated Institutions	0	0
AA rated Institutions	2,280	5,000
AA- rated Institutions	2,880	5,000
A+ rated Institutions	8,000	16,000
A rated Institutions	0	3,000
A- rated Institutions	0	0
BBB+ rated Institutions	0	0
Unrated Local Authorities	3,000	0
UK Government	0	0
<b>Total</b>	<b>16,160</b>	<b>38,750</b>

## 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:

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
<b><u>Investments</u></b>		
Notice accounts/Money market funds	13,160	27,750
Fixed term deposits	3,000	11,000
	<b>16,160</b>	<b>38,750</b>
<b><u>Borrowings</u></b>		
Short term loans with local authorities	11,000	4,000
Long Term Borrowings with PWLB	0	5,000
	<b>11,000</b>	<b>9,000</b>

### **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.

**22 – INVENTORIES**

	Property acquired or constructed for sale		Other inventory items		Total	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Balance outstanding at start of year	7,076	4,979	166	174	7,242	5,153
Purchases	2,001		361	290	2,362	290
Recognised as an expense in the year	(4,096)	(4,979)	(353)	(319)	(4,449)	(5,298)
					0	0
<b>Balance outstanding at year-end</b>	<b>4,979</b>	<b>0</b>	<b>174</b>	<b>146</b>	<b>5,153</b>	<b>146</b>

**23 – SHORT AND LONG TERM DEBTORS****Short Term Debtors**

	2020/21 £000	2021/22 £000
Central government bodies	1,675	686
Other local authorities	7,843	4,759
Other entities and individuals	14,845	14,291
<b>Total</b>	<b>24,362</b>	<b>19,737</b>

**Allowance for Bad Debts**

	2020/21 £000	2021/22 £000
Excess Charges Impairment Allowance	1,184	676
Sundry Bad Debts Impairment Allowance	5,265	4,764
<b>Total</b>	<b>6,449</b>	<b>5,441</b>

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £14.296m.

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

	2020/21 £000	2021/22 £000
Council Tax payers	1,534	1,790
Business Rate payers	1,938	1,684
Capital debtors	1,022	178
General debtors	8,119	8,982
Payments in Advance	802	582
Other miscellaneous amounts	1,430	1,075
<b>Total</b>	<b>14,845</b>	<b>14,291</b>

### Long Term Debtors

Part of the debtors balance with other Local Authorities (£1.06m) has been classified as a long term debtor for 2021/22, 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.

### 24 - CASH & CASH EQUIVALENTS

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

	2020/21 £000	2021/22 £000
Cash held by the Council	3	3
Bank current accounts	(3,380)	(101)
Short-term deposits	14,160	33,750
<b>Total</b>	<b>10,783</b>	<b>33,652</b>

### 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, £33.75m 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.

**25 – CREDITORS****Short Term**

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	13,171	29,927
Other public sector bodies	14,218	21,653
Other entities and individuals	14,113	15,634
<b>Total</b>	<b>41,502</b>	<b>67,216</b>

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 public sector bodies reflects an increase in Section 106 monies received from developers that will be passed onto other bodies, primarily Kent County Council and the NHS.

Other entities and individuals are broken down as follows:

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
General creditors	4,200	5,116
Capital creditors	1,416	1,342
Council tax payers	0	251
Business Rate payers	0	1,713
Receipts in advance	7,293	5,994
Deposits	638	661
Retentions	566	557
<b>Total</b>	<b>14,113</b>	<b>15,634</b>

**26 - PROVISIONS**

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Business Rates Appeals - Current	1,261	1,090
Business Rates Appeals - Backdated	1,283	1,801
Planning Appeals	261	261
Other Provisions	358	215
<b>Total</b>	<b>3,163</b>	<b>3,367</b>

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.

### **27 - TRUST FUNDS**

The Council is required to set out details of the nature and amount of trust funds where it acts as sole trustee, the only one of which is the Cobtree Manor Estate. 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 31<sup>st</sup> March 2022 are summarised in the following table. The figures for 2020/21 are the audited figures, which differ from those in the 2021/22 Statement of Accounts, as the audit took place after that was published.

Gross expenditure in 2021/22 totalled £485,385 (£447,662 in 2020/21). Gross income in 2021/22 totalled £493,583 (£431,008 in 2020/21).

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

	<b>2020/21 (Updated) £000</b>	<b>2021/22 £000</b>
<b>Fixed Assets:</b>		
Tangible Assets	2,553	2,439
Investment Property	1,000	1,103
Investments	825	886
	<b>4,379</b>	<b>4,428</b>
Current Assets	500	491
Current Liabilities	304	202
Creditors: Amounts falling due after more than one year	135	135
<b>Total assets less total liabilities</b>	<b>4,440</b>	<b>4,582</b>
<b>Total Charitable Funds</b>	<b>4,440</b>	<b>4,582</b>

## 28 - 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.

The value of the payments for 2021/22 was as follows:

- Principal: £537,500
- Interest: £92,500
- Total: £630,000



## Payments

	2020/21 £000	2021/22 £000
Balance outstanding at start of year	2,537	2,020
Repayment of principal	(517)	(537)
<b>Balance outstanding at end of year</b>	<b>2,020</b>	<b>1,482</b>

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. The deferred liability is recognised in Net Cost of Services and written out to the Capital Adjustment Account via the Movement in Reserves Statement.

### 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.

## 29 – 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 2021 £000	31st March 2022 £000
<b>Balance at 1st April</b>	<b>549</b>	<b>459</b>
Capital Receipts Received	1,968	4,329
Capital Receipts Applied	(2,058)	(4,500)
<b>Balance at 31st March</b>	<b>459</b>	<b>288</b>

**30 - UNUSABLE RESERVES**

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
Revaluation Reserve	43,799	54,203
Capital Adjustment Account	73,743	75,262
Deferred Capital Receipts Reserve	7	7
Pensions Reserve	(89,783)	(77,890)
Collection Fund Adjustment Account	(13,036)	(5,641)
Accumulated Absences Account	(183)	(160)
<b>Total Unusable Reserves</b>	<b>14,546</b>	<b>45,780</b>

**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 1<sup>st</sup> 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.

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
<b>Balance at 1st April (Restated)</b>	<b>47,164</b>	<b>43,798</b>
Upward revaluation of assets		12,261
Downward revaluation of assets	(3,512)	(2,049)
Difference between fair value depreciation and historical cost depreciation	146	194
<b>Balance at 31st March</b>	<b>43,798</b>	<b>54,203</b>

## **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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

	31st March 2021 £000	31st March 2022 £000
<b>Balance at 1st April</b>	<b>72,175</b>	<b>73,733</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(5,094)	(2,889)
Amortisation of intangible assets	(121)	(132)
Revaluation Gains/Losses on Property, Plant & Equipment	(4,319)	(7,083)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	400	3,396
Revenue expenditure funded from capital under statute	(4,929)	(7,363)
Write-off of non-enhancing capital expenditure	(79)	(20)
	<b>(14,141)</b>	<b>(14,092)</b>
Adjusting amounts written out of the Revaluation Reserve	(146)	(194)
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(14,287)</b>	<b>(14,286)</b>
Capital financing applied in the year:		
Minimum Revenue Provision	798	865
Sums set aside for Debt Repayment	517	537
Use of the Capital Receipts Reserve to finance new capital expenditure	3,647	4,500
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	5,051	3,945
Capital expenditure charged against the General Fund balance	5,833	5,968
	<b>15,846</b>	<b>15,815</b>
<b>Balance at 31st March</b>	<b>73,733</b>	<b>75,263</b>

### 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.

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	73,677	89,783
Remeasurements of the net defined liability	13,225	(16,866)
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	6,690	8,805
Employer's pensions contributions	(3,809)	(3,832)
<b>Closing balance at 31 March</b>	<b>89,783</b>	<b>77,890</b>

#### 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.

	<b>31st March</b>	<b>31st March</b>
	<b>2021</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1st April</b>	26	13,036
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	(131)	(671)
- Non-domestic Rates	13,141	(6,726)
<b>Balance at 31st March</b>	<b>13,036</b>	<b>5,640</b>

**31 - 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.

	2020/21 £000	2021/22 £000
<b>Opening Capital Finance Requirement</b>	<b>41,847</b>	<b>52,730</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	16,254	21,634
Inventory	2,001	0
Non-enhancing capital expenditure	79	20
Investment Properties	7,266	2,563
Intangible Assets	285	454
Revenue Expenditure Funded from Capital Under Statute	845	2,383
	<b>26,730</b>	<b>27,055</b>
<b>Sources of Finance</b>		
Capital receipts	(3,647)	(4,500)
Government grants & other contributions	(5,052)	(3,945)
New Homes Bonus	(4,472)	(3,856)
Other Revenue Contributions	(1,360)	(2,113)
	<b>(14,531)</b>	<b>(14,414)</b>
Increase in Capital Financing Requirement	12,198	12,640
Minimum Revenue Provision Set-aside	(1,315)	(1,403)
<b>Closing Capital Finance Requirement</b>	<b>52,730</b>	<b>63,968</b>

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 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 a combination of internal borrowing using existing cash balances and external funding, in accordance with the agreed Treasury Management Strategy for 2021/22.

**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'.

## **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.

### **32 - 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:

	2020/21 £000	2021/22 £000
<b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>		
Cost of Services:		
Service cost comprising:		
- Current service cost	5,003	7,047
- Past service costs including curtailments	0	0
Financing and Investment Income & Expenditure:		
- Net interest expense	1,687	1,758
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,690</b>	<b>8,805</b>
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)	28,386	855
- Actuarial gains and losses arising on changes in financial assumptions	(46,104)	6,681
- Actuarial gains and losses arising on changes in demographic assumptions	2,056	5,481
- Experience gains and losses on defined benefit obligation	2,437	3,345
- Other actuarial gains and losses	0	504
<b>Total Post Employment Benefit Charged to the CIES</b>	<b>(6,535)</b>	<b>25,671</b>
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	6,690	8,805
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,809)	(3,832)
	<b>2,881</b>	<b>4,973</b>



**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 (2020/21 £nil).

**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:

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Present value of funded obligation	221,430	212,828
Fair value of plan assets	(133,210)	(136,412)
<b>Contributions by scheme participants</b>	<b>88,220</b>	<b>76,416</b>
Present value of unfunded obligation	1,563	1,474
<b>Net liability arising from defined benefit obligation</b>	<b>89,783</b>	<b>77,890</b>

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

	2020/21 £000	2021/22 £000
Opening fair value of Scheme assets	103,305	133,210
Interest on assets	2,417	2,656
Return on assets less interest	28,471	937
Administration expenses	(85)	(82)
Contributions by employer including unfunded	3,809	3,832
Contributions paid by scheme participants	981	972
Estimated benefits paid plus unfunded net of transfers in	(5,688)	(5,617)
Other actuarial gains/(losses)	0	504
<b>Closing fair value of Scheme assets</b>	<b>133,210</b>	<b>136,412</b>

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

	2020/21 £000	2021/22 £000
Opening balance at 1 April	176,982	222,993
Current Service cost	5,003	7,047
Interest cost	4,104	4,414
Change in financial assumptions	46,104	(6,681)
Changes in demographic assumptions	(2,056)	(5,481)
Experience loss/(gain) on defined benefit obligation	(2,437)	(3,345)
Past service costs, including curtailments	0	
Estimated benefits paid net of transfers in	(5,541)	(5,483)
Contributions by Scheme participants	981	972
Unfunded pension payments	(147)	(134)
<b>Closing balance at 31 March</b>	<b>222,993</b>	<b>214,302</b>

**Local Government Pension Scheme Assets**

	<b>31st March 2021</b>		<b>31st March 2022</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
Equities	85,777	65%	86,940	64%
Gilts	792	1%	824	1%
Other Bonds	16,636	12%	18,648	14%
Property	13,787	10%	15,864	12%
Cash	6,605	5%	2,791	2%
Absolute return fund	9,613	7%	9,992	7%
<b>Total</b>	<b>133,210</b>	<b>100%</b>	<b>135,059</b>	<b>100%</b>

	<b>31st March 2020</b>		<b>31st March 2021</b>	
	<b>£000</b>	<b>%</b>	<b>£000</b>	<b>%</b>
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%
<b>Total</b>	<b>103,305</b>	<b>100%</b>	<b>133,210</b>	<b>100%</b>

**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 31<sup>st</sup> March 2022.

The principal assumptions used by the actuary have been:

	2020/21	2021/22
<b>Long-term expected rate of return of assets in the scheme</b>		
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners		
- Men	21.6	21.0
- Women	23.6	23.5
Longevity at 65 for future pensioners		
- Men	22.9	22.3
- Women	25.1	24.9
<b>Financial Assumptions</b>		
RPI increases	3.20%	N/A
CPI increases	2.80%	N/A
Salary increases	3.80%	4.25%
Pension increases	2.80%	3.25%
Discount Rate	2.00%	2.60%

### 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.

<b>Sensitivity Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustment to discount rate	+1%	0.0%	-1%
- Present Value of Total Obligation	176,436	214,302	266,168
- Projected Service Cost	4,514	6,526	9,550
Adjustment to long-term salary increase	+1%	0.0%	-1%
- Present Value of Total Obligation	218,214	214,302	210,703
- Projected Service Cost	6,562	6,526	6,490
Adjustment to pension increases and deferred revaluation	+1%	0.0%	-1%
- Present Value of Total Obligation	261,295	214,302	179,923
- Projected Service Cost	9,501	6,526	4,523
Adjustment to life expectancy assumptions	+1%	None	-1 Year
- Present Value of Total Obligation	225,104	214,302	204,069
- Projected Service Cost	9,802	6,526	6,260

### Scheme History

	<b>2017/18</b>	<b>2018/19</b>	<b>2019/20</b>	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Present value of defined benefit obligation in the Local Government Pension Scheme	(182,032)	(183,242)	(175,391)	(221,430)	(212,828)
Fair value of assets in the Local Government Pension Scheme	106,524	113,698	103,305	133,210	136,412
Present value of unfunded obligation	(2,110)	(1,937)	(1,591)	(1,563)	(1,474)
<b>Surplus/(Deficit) in the scheme</b>	<b>(77,618)</b>	<b>(71,481)</b>	<b>(73,677)</b>	<b>(89,783)</b>	<b>(77,890)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £77.890m 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 2023 are £3.727m.

### 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 2022.

### **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.

## **33 – 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:

	<b>31st March 2021 £000</b>	<b>31st March 2022 £000</b>
Not more than 1 year	558	590
Later than 1 year and not later than 5 years	1,473	905
Later than 5 years	0	0
	<b>2,031</b>	<b>1,496</b>

The Council has determined that arrangement to purchase Maidstone House for £7.1m should be classified as a finance lease. However, full payment was made at the time of acquisition, therefore there are no further lease transactions that need to be made, and it is now classified as an operational asset under Property, Plant & Equipment on the Balance Sheet, with a net carrying value of £7.584m.

### **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.

### **34 – EVENTS AFTER THE REPORTING PERIOD**

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 18<sup>th</sup> July 2022. 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 31<sup>st</sup> March 2022 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.

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Depreciation	(5,094)	(4,773)
Revaluation Gains & Losses	(6,461)	(219)
Amortisation of Intangible Assets	(121)	(132)
Movement in Creditors	(4,427)	(9,317)
Movement in Debtors	1,025	(2,738)
Movement in Inventories	1,879	(5,008)
Movement in Pension Liabilities	(2,881)	(4,973)
Derecognition of non-current assets	(5,805)	(4,980)
Other Non-Cash items	(198)	3,187
	<b>(22,082)</b>	<b>(28,953)</b>

The Other Non-Cash items line for 2021/22 includes £3.396m in respect of the movement in Investment Property values following the annual revaluation exercise.

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

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Capital Grants credited to surplus or deficit on the provision of services	5,051	3,945
Proceeds from sale of Property, Plant & Equipment	3,551	4,329
	<b>8,602</b>	<b>8,274</b>

**37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES**

	<b>2020/21</b>	<b>2021/22</b>
	<b>£000</b>	<b>£000</b>
Purchase of property, plant & equipment, investment property and intangible assets	25,901	24,557
Purchase of short-term and long-term investments	2,000	3,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,968)	(4,329)
Proceeds from short-term and long-term investments	0	0
Other payments for investing activities	111	2,118
Other receipts for investing activities (Grants)	(6,429)	(6,783)
<b>Net cash flows from investing activities</b>	<b>19,614</b>	<b>18,564</b>

**38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES**

	<b>2020/21</b> <b>£000</b>	<b>2021/22</b> <b>£000</b>
Cash receipts of short- and long-term borrowing	0	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	537	567
Repayments of short & long-term borrowing	0	2,000
Other payments for financing activities	(4,444)	(17,268)
<b>Net cash flows from financing activities</b>	<b>(3,906)</b>	<b>(14,700)</b>

## COLLECTION FUND STATEMENT &amp; NOTES

2020/21		2021/22	
£000		£000	£000
<b>INCOME</b>			
124,005	Income From Council Tax	133,042	
31,730	Income From Business Rates (Note 2)	43,493	
<b>155,735</b>	<b>Total Income</b>		<b>176,535</b>
<b>EXPENDITURE</b>			
85,653	Precepts and Demands - Council Tax Kent County Council	89,647	
12,877	Kent Police & Crime Commissioner	13,786	
18,966	Maidstone Borough Council	19,342	
5,026	Kent Fire & Rescue Authority	5,106	
Shares of Business Rates			
31,281	Central Government	12,318	
4,308	Kent County Council	2,217	
24,128	Maidstone Borough Council	9,855	
603	Kent Fire & Rescue Authority	246	
915	Transitional Protection Payments - Business Rates	789	
154	Disregarded Amounts - Business Rates	182	
Impairment of Debts - Council Tax			
190	Write offs of uncollectable amounts	394	
1,760	Additional / (Reduced) Impairment of Aged Debt	352	
Impairment of Debts/Appeals - Business Rates			
242	Write offs of uncollectable amounts	152	
808	Additional / (Reduced) Impairment of Aged Debt	11	
(1,197)	Losses on appeal	(1,968)	
2,231	Additional / (Reduced) Provision For Appeals	2,837	
205	Cost of Collection Allowance - Business Rates	207	
<b>188,151</b>	<b>Total Expenditure</b>		<b>155,473</b>
(32,417)	Surplus/(Deficit) For Year		21,062
(484)	Surplus/(Deficit) Brought Forward From Previous Years		(32,901)
(273)	<b>Surplus/(Deficit) on Council Tax</b>		<b>4,142</b>
(32,628)	<b>Surplus/(Deficit) on Business Rates</b>		<b>(15,981)</b>
<b>(32,901)</b>	<b>Surplus/(Deficit) as at 31st March 2022</b>		<b>(11,839)</b>

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, business rates relief was granted to retail, hospitality, leisure businesses for 2021/22. 100% relief was awarded for the first quarter of

2021/22 followed by 66% for the remaining 3 quarters of the year. The government has reimbursed the council for business rates income lost as a result of the expanded reliefs, through grants amounting to £23.5m, of which £9.4m 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 during 2020/21. Court dates for the issuing of summonses and liability orders only restarted in August 2021, this is likely to have adversely impacted on the overall in-year collection rate. Furthermore, the council has observed a 3% increase in its Local Council Tax Support caseload since the budget expectations were set for 2021/22.

## 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: 64,089.4 for 2021/22 (63,319.8 for 2020/21) (see table below.) This basic amount of Council Tax for a Band D property, £1,988.63 for 2021/22 (£1,899.29 for 2020/21), 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)	1.4	5/9	0.8
Band A	2,592	6/9	1,742.5
Band B	6,412	7/9	5,029.6
Band C	15,626	8/9	14,007.5
Band D	16,453	9/9	16,592.8
Band E	9,117	11/9	11,237.3
Band F	5,388	13/9	7,849.3
Band G	4,011	15/9	6,741.6
Band H	343	18/9	692.0
Other	0		196.0
			<b>64,089.4</b>

## 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 (51.2p in 2020/21)
- Small Business Multiplier 49.9p / £ Rateable Value (49.9p in 2020/21)

The rateable value at 31st March 2022 was £149.889m (£150.243m at 31st March 2021).

For 2021/22, it was calculated that the Council would receive £9.855m in business rates (£24.128m in 2020/21).

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 £19.339 in 2021/22, (£19.339m in 2020/21) 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 2022, which comprise the Comprehensive Income & Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cashflow 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 2021/22.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2022 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 2021/22; 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, Resources 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, Resources 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 2021/22 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, Resources 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, Resources and Business Improvement with respect to going concern are described in the 'Responsibilities of the Authority, the Director of Finance, Resources and Business Improvement and Those Charged with Governance for the financial statements' section of this report.

### **Other information**

The Director of Finance, Resources and Business Improvement is responsible for the other information. The other information comprises the Narrative Report, the Annual Governance Statement and 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 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, Resources 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, Resources and Business Improvement. The Director of Finance, Resources 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 2021/22, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Resources 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, Resources 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](http://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 2021/22, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, 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 evaluating the risk of management override of controls, the risk of improper revenue recognition (rebutted) and the risk of fraud in expenditure recognition (rebutted, other than for the risk of error around estimation and cut-off processes at year end) and significant accounting estimates. We determined that the principal risks were in relation to journal entries and management bias in the calculation of estimates.
- Our audit procedures involved:
  - evaluation of the design effectiveness of controls that the Director of Finance, Resources and Business Improvement has in place to prevent and detect fraud;
  - journal entry testing, with a focus on journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included large manual journals, journals containing keywords which might indicate fraud, journals posted after year end, and journals with individual lines having a material impact on the Authority's surplus/deficit on the provision of services;
  - 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; and
  - assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.
- These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.
- The team communications in respect of potential non-compliance with relevant laws and regulations, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations.
- Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:
  - understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation;
  - knowledge of the local government sector; and
  - 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; and
    - 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 2022.

Our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources is not yet complete. The outcome of our work will be reported in our commentary on the Authority's arrangements in our Auditor's Annual Report. If we identify any significant weaknesses in these arrangements, these will be reported by exception in a further auditor's report. We are satisfied that this work does not have a material effect on our opinion on the financial statements for the year ended 31 March 2022.

### **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 December 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 – Delay in certification of completion of the audit

We cannot formally conclude the audit and issue an audit certificate for Maidstone Borough Council for the year ended 31 March 2022 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice until we have completed:

- our work on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources and issued our Auditor's Annual Report'.

We are satisfied that this work does not have a material effect on the financial statements for the year ended 31 March 2022.

### 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.

*Sophia Brown*

**Sophia Brown**, Key Audit Partner  
for and on behalf of Grant Thornton UK LLP, Local Auditor

London

17 November 2023