

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Monday 15 November 2021
Time: 6.30 p.m.
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Bartlett (Vice-Chairman), Brindle, Coulling (Parish Representative), Cox, Cuming, Daley, Fissenden, Perry (Chairman), J Sams, Titchener (Parish Representative) and Trzebinski

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

AGENDA

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| 5. Disclosures by Members and Officers | |
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| 7. To consider whether any items should be taken in private because of the possible disclosure of exempt information | |
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Issued on Friday 5 November 2021

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

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INFORMATION FOR THE PUBLIC

In order to ask a question at this meeting in person or by remote means, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Thursday 11 November 2021). You will need to provide the full text in writing.

If your question is accepted, you will be provided with instructions as to how you can access the meeting.

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Thursday 11 November 2021). You will need to tell us which agenda item you wish to speak on.

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MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON 28 SEPTEMBER 2021

Present: Councillor Perry (Chairman) and Councillors Bartlett, Brindle, Coulling (Parish Representative), Cox, Cuming, Daley, Fissenden, Garten, Munford and Titchener (Parish Representative)

22. **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Councillors J Sams and Trzebinski.

23. **NOTIFICATION OF SUBSTITUTE MEMBERS**

The following Substitute Members were noted:

Councillor Garten for Councillor Trzebinski
Councillor Munford for Councillor J Sams

24. **URGENT ITEMS**

The Chairman said that he had agreed to take the External Auditor's Audit Progress Report as an urgent item as it was not available when the agenda was published. He also intended to take the Progress Report with the report of the Senior Finance Manager (Client) relating to the Annual Accounts 2020/21 (agenda item 13) as it impacted upon the recommendations contained within that report.

25. **NOTIFICATION OF VISITING MEMBERS**

There were no Visiting Members.

26. **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

27. **DISCLOSURES OF LOBBYING**

There were no disclosures of lobbying.

28. **EXEMPT ITEMS**

RESOLVED: That the items on the agenda be taken in public as proposed.

29. MINUTES OF THE MEETING HELD ON 28 JULY 2021

RESOLVED: That the Minutes of the meeting held on 28 July 2021 be approved as a correct record and signed.

30. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from members of the public.

31. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

32. COMMITTEE WORK PROGRAMME 2021/22

The Committee considered its work programme for the remainder of the Municipal Year 2021/22.

The Chairman said that, if possible, he would like the update on the draft Model Member Code of Conduct to be submitted to the Committee at the earliest opportunity as there were issues that Members needed to consider.

33. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Senior Lawyer, Corporate Governance, introduced his report providing an update on complaints received under the Members' Code of Conduct during the period 1 March 2021 to 30 August 2021. The report also included an update on the draft Model Code of Conduct that was currently being considered by Kent County Council. It was noted that:

- Since the last report to the Committee on 15 March 2021, the Monitoring Officer had received six further complaints, one concerning a Borough Councillor and five concerning Parish Councillors.
- The complaint against the Borough Councillor and four of the complaints against Parish Councillors were rejected because they failed the preliminary tests. The remaining complaint against a Parish Councillor was currently under consideration by the Monitoring Officer.
- The Kent Secretaries (Monitoring Officers) had seen and commented on an initial draft version of a revised Kent Code of Conduct for Members. The final draft would be submitted to the KCC Standards Committee for approval in due course. If approved, it would be circulated to Kent Borough/District Councils for consideration of approval/adoption. Parish Councils would then each have the opportunity to consider whether they wished to adopt the Kent/Maidstone model or an amended version of their own or make no changes to their current Codes.

In response to questions, the Principal Solicitor, Contentious and Corporate Governance, advised the Committee that:

- The preliminary tests against which Code of Conduct complaints are assessed were set out in Part 4.2 of the Council's Constitution. Complaints were assessed by the Monitoring Officer in consultation with the Independent Person against the legal jurisdiction criteria test and, if applicable, the local assessment criteria test. She would arrange for an extract of the Constitution setting out the legal jurisdiction and local assessment criteria to be circulated to all Members and Substitute Members of the Committee and the Parish Council representatives for information. In addition to this, all future reports would include a summary of the reasons that a Code of Conduct complaint had failed the preliminary tests, in such cases.

Members indicated that they would like to see the draft revised Kent Code at the earliest opportunity to enable them to comment in a constructive way.

The Principal Solicitor, Contentious and Corporate Governance, advised the Committee that in commenting on the draft revised Kent Code, the Kent Secretaries had referred to concerns expressed by Members when they first saw the LGA Model Code of Conduct. However, some things that Members were keen to promote, such as more robust sanctions, would require changes to legislation. There was due to be a consultation on what the Government was proposing to do in respect of the report of the Committee for Standards in Public Life, and Members would be able to respond when that was available.

The Chairman said that he would press the County Council for the early release of the latest draft of the revised Kent Code to enable Members to have some input.

RESOLVED: That the report be noted subject to the points raised in the discussion.

Note: At the conclusion of this item, there was a short adjournment due to connectivity issues.

34. ANNUAL ACCOUNTS 2020/21/EXTERNAL AUDITOR'S AUDIT PROGRESS REPORT

The Committee considered agenda items 13 (Annual Accounts 2020/21) and 17 (External Auditor's Audit Progress Report) together. The recommendations in the report at agenda item 17 superseded those in the report at agenda item 13.

The Head of Finance advised the Committee that:

- At the time of drafting the report for agenda item 13, it was understood that the audit would have progressed sufficiently to enable the findings to be presented at this meeting and for the accounts to be approved subject to minor amendments. Unfortunately, after the agenda was published, the Officers had been advised by Grant Thornton, the External Auditor, that

although substantial progress had been made with the audit, it would no longer be possible to present an audit findings report to this meeting. This was due to capacity constraints within the local government audit sector, including slippage at other sites, which had resulted in delays to audit work at Maidstone. This year, work did not commence until late August 2021, which was considerably later than in previous years.

- It was therefore recommended that approval of the Statement of Accounts 2020/21 be deferred until the audit findings report was available. This meant that the Council would be unable to meet the statutory deadline of 30 September 2021 for finalising its 2020/21 financial statements. There were no significant practical implications such as fines or penalties, but any protracted delays could result in operational challenges for the Officers involved with the audit.
- Instead of the audit findings report, the External Auditor had provided an audit progress report and an update on emerging national issues and developments relevant to the local government sector. At this stage, it was understood that there were no significant audit findings to report.
- The updated version of the Statement of Accounts at agenda item 13 reflected a small number of minor updates to the draft which had been submitted to the last meeting of the Committee.

In response to questions/comments, the Head of Finance said that:

- In terms of the significant change in the Collection Fund Adjustment Account from a deficit of £26k as at 31 March 2020 to a deficit of £13.036m as at 31 March 2021, the Collection Fund was carrying a large deficit for 2021. The main reason for that was the way Collection Fund income was accounted for and the relief that was subsequently announced. The COVID-19 Business Rates Relief took a considerable amount of Business Rates away from the Collection Fund which only reflected the income collected from taxpayers. The Council did receive a significant amount of Section 31 grant that offset this and that would be paid back into the Collection Fund from the General Fund over the coming years.
- She had noted the typographical error in the first line of paragraph 3.2 of the report relating to the Statement of Accounts 2020/21.
- In terms of funding the deficit on the Pension Fund liability, there was a triennial valuation, which was a separate exercise to the accounting exercise, that worked out a primary rate of contribution which would be a percentage of the payroll and then a secondary rate which was for funding deficits. The assumption was that the deficit would be repaid over a period of 16 years. At present, this stood at just over £1m a year in addition to the Council's primary contributions as an employer. That figure would be updated every

three years, every time there was a revaluation. Assumptions had been made in the Medium Term Financial Strategy about budgeting for this and an increased level of contribution following the next triennial valuation in 2023/24 recognising that there would be a risk of that.

- In terms of the position going forward, allowance had been made for an increase in the Council's contributions of £150k per year over the three years from 2023/24. In percentage terms this was in line with the increase seen at the last triennial valuation.
- As requested, details of the assumptions used by the actuary in arriving at the Pensions Reserve figures would be included in the report to the Committee in November 2021.
- The Officers would review how information in the Narrative Report (Key Facts about Maidstone) was presented.
- Unusable Reserves generally arose from accounting adjustments or statutory arrangements and could not be spent. They were subject to audit and did not impact on the spending power of the Council.
- Based on a review against the Accounting Standards, it was considered that the Council had no leases (property or equipment) that needed to be classified as finance leases.

RESOLVED:

1. That the approval of the Statement of Accounts 2020/21 be deferred to the next meeting of the Committee scheduled to be held on 15 November 2021.
2. That the External Auditor's progress report, attached as Appendix 1 to the report of the Head of Finance, be noted.

Note: Mr Trevor Greenlee of Grant Thornton, the External Auditor, was unable to join the meeting remotely due to connectivity issues. Mr Greenlee sent his apologies and undertook to speak to the Chairman later in the week.

35. EXTERNAL AUDITOR'S AUDIT PROGRESS REPORT

See Minute 34 above.

36. INTERNAL AUDIT CHARTER

The Head of Audit Partnership introduced his report which provided the biennial opportunity for the Committee to review and approve the Internal Audit Charter. The Head of Audit Partnership explained that the Charter was a key document setting out the roles and responsibilities of the Council's Internal Audit Service and its relationships with Officers and Members. As there had been no significant updates in the Public Sector

Internal Audit Standards or requirements since the Charter was last reviewed in 2019, and mindful of the fully conforming External Quality Assessment from CIPFA in 2020, no material changes were proposed to the document.

The Chairman took the opportunity to endorse the work of the Internal Audit Service.

RESOLVED: That Internal Audit Charter, attached as Appendix 1 to the report of the Head of Audit Partnership, be approved.

37. AUDIT, GOVERNANCE & STANDARDS COMMITTEE ANNUAL REPORT 2020/21

The Audit Manager presented the Committee's Annual Report 2020/21. It was noted that:

- The production and presentation of an Annual Report was required by the Committee's Terms of Reference. The purpose of the Report was to outline where the Committee had gained assurance during the year, particularly over areas of governance, risk management, Standards and internal control.
- The report concluded that based on the activity during the year, the Committee could demonstrate that it had appropriately and effectively fulfilled its duties during 2020/21. The Committee had continued to work in partnership with the Council's Internal Auditors, Finance Team, Senior Officers and appointed External Auditors to provide independent assurance on a wide range of risk, governance, internal control and conduct related issues.

The Committee agreed that subject to the correction of a minor typographical error on page 4 of the document (the reference to January 2020 in the heading of the table being amended to January 2021), the Audit, Governance and Standards Committee Annual Report for 2020/21 be approved for submission to the Council.

RESOLVED: That subject to the correction of a minor typographical error on page 4 of the document (the reference to January 2020 in the heading of the table being amended to January 2021), the Audit, Governance and Standards Committee Annual Report for 2020/21 be approved for submission to the Council.

38. BUDGET STRATEGY - RISK ASSESSMENT UPDATE

The Director of Finance and Business Improvement introduced his report providing an update on the budget risks facing the Council. It was noted that:

- A potential area of concern was the shortfall, for the first quarter of 2021/22, in Business Rates collection against target (28% versus 31%). Business Rates Relief for businesses in the retail, hospitality

and leisure sectors had been reduced with effect from 1 July 2021, so there was a risk that this collection performance would deteriorate further. As well as affecting core Business Rates income, this would have a knock-on impact on the Council's income from the Kent Business Rates pool.

- The Council's Treasury Advisers expected Bank Rate to remain at 0.1% throughout the rest of 2021/22 and 2022/23. However, the rise in CPI inflation to 3.2% in August 2021 increased the likelihood of an earlier tightening of monetary policy. Whilst this would not in itself threaten the funding of the capital programme, it would make funding more expensive and would make investment projects with marginal financial benefit less attractive.
- A further risk to the capital budget was the impact of inflation and supply blockages. Whilst there was scope to absorb overspends at an individual project level by transferring resources within the overall capital budget envelope, these pressures meant that the capital programme would deliver less than originally anticipated.
- Inflation also posed a risk to the Council's budget over the medium term. The neutral Medium Term Financial Strategy revenue projections assumed that the Bank of England would be able to deliver its 2% inflation target over the medium term. If this target was exceeded, it would have an impact, particularly if the Council Tax referendum limit remained at 2%, thus constraining the Council's ability to pass on increases in input costs.

Concerns were expressed about the risk of a rise in interest rates and the impact on the Council's ability to fund its capital programme. It was suggested that the Council should not be relying for too long on short-term borrowing.

The Director of Finance and Business Improvement assured the Committee that the Officers were monitoring the situation closely. He explained that as the capital programme progressed, the Council would be borrowing from the Public Works Loan Board. However, any borrowing would have to adhere to statutory guidance under which it was necessary to link the borrowing to capital expenditure. The Council could not simply borrow to meet all of its future capital borrowing requirement. As the Council embarked on more capital investment, the opportunity would be taken to fund that on a long-term basis as appropriate.

RESOLVED: That the Audit, Governance and Standards Committee updated risk assessment of the Budget Strategy, attached as Appendix A to the report of the Director of Finance and Business Improvement, be noted.

39. DURATION OF MEETING

6.30 p.m. to 7.50 p.m.

2021/22 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Housing Benefit Subsidy Claim 2020/21	AGS	17-Jan-22	Governance	No	Steve McGinnes	Sheila Coburn
Treasury Management, Investment and Capital Strategies 2022/23	AGS	17-Jan-22	Strategy Update	No	Mark Green	John Owen
External Auditor's Annual Audit Letter	AGS	17-Jan-22	Governance	No	Mark Green	Ellie Dunnet
External Auditor's Progress Report and Sector Update	AGS	17-Jan-22	Governance	No	Mark Green	Ellie Dunnet
Budget Strategy Risk Assessment Update	AGS	17-Jan-22	Officer Update	No	Mark Green	Mark Green
Code of Conduct Matters - Six Month Update	AGS	14-Mar-22	Officer Update	No	Jayne Bolas	Gary Rowland
Data Protection Update	AGS	14-Mar-22	Officer Update	Yes	Angela Woodhouse	Anna Collier
Fraud and Compliance Team Update	AGS	14-Mar-22	Officer Update	No	Steve McGinnes	Sheila Coburn
Annual Risk Management Report 2021/22	AGS	14-Mar-22	Governance	Yes	Rich Clarke	TBA
∞ Internal Audit and Assurance Plan 2022/23	AGS	14-Mar-22	Governance	No	Rich Clarke	Rich Clarke
External Audit Plan 2021/22	AGS	14-Mar-22	Governance	No	Mark Green	Ellie Dunnet
External Auditor's Progress Report and Sector Update	AGS	14-Mar-22	Governance	No	Mark Green	Ellie Dunnet
Budget Strategy Risk Assessment Update	AGS	14-Mar-22	Officer Update	No	Mark Green	Mark Green
Update on Draft Model Code of Conduct	AGS	TBC	Officer Update	No	Jayne Bolas	Jayne Bolas

Annual Complaints Report 2020/21

Final Decision-Maker	Audit Governance and Standards Committee
Lead Head of Service	Angela Woodhouse Head of Policy Communications and Governance
Lead Officer and Report Author	Anna Collier Corporate Insight Communities and Governance Manager Lauren Connett Information Governance Officer
Classification	Public
Wards affected	All

Executive Summary

To provide committee with an overview of how the Council has performed in responding to complaints in 2020/21 and the Local Government and Social Care Ombudsman's annual complaints review letter.

Purpose of Report

Discussion

This report makes the following recommendation to this Committee:

1. That the Council's performance on complaint management in 2020/21 and the Local Government and Social Care Ombudsman's review letter be noted.

Timetable

Meeting	Date
Corporate Leadership Team	2 November 2021
Audit, Governance and Standards Committee	15 November 2021

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Good complaints management ensures that the Council learns from customer experience and develops services to deliver both priorities	Head of Policy, Communications and Governance
Cross Cutting Objectives	The report recommendation supports the achievements of all cross-cutting objectives, by ensuring lessons learnt from customer feedback are implemented.	Head of Policy, Communications and Governance
Risk Management	This report is presented for information only and has no risk management implications.	Head of Policy, Communications and Governance
Financial	The process of responding to and dealing with complaints as described in this report has been managed within existing budgets.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Head of Policy, Communications and Governance
Legal	<p>This report provides a review of complaints received and an update on the Council's complaint handling. If any complaint raises issues that may have legal implications or consequences, the Head of Legal Partnership should be consulted.</p> <p>There is no statutory duty to report regularly to Committee on the Council's performance. However, under Section 3 of the Local Government Act 1999 (as amended) a best value authority has a statutory duty to secure continuous improvement in the way in which its functions are exercised having regard to a combination of economy, efficiency and effectiveness. Regular reports on the Council's performance in responding to complaints assist in demonstrating best value and compliance with the statutory duty.</p>	Interim Deputy Head of Legal partnership.
Privacy and Data Protection	The recommendations will not have an impact on the processing of personal data, and there is no need for a Data Protection Impact Assessment.	Corporate Insight, Communities and Governance Manager
Equalities	The complaints process is extremely valued. It can help identify where changes to policy or improvements to service delivery may be required. When a change is proposed, an Equalities Impact Assessment is undertaken to ensure that there is no detrimental impact on	Corporate Insight, Communities and Governance Manager

	individuals with a protected characteristic. All complaints with an identified equality issue are investigated by the Senior Policy and Communities Officer to ensure that equalities concerns are investigated appropriately.	
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Senior Public Health Officer
Crime and Disorder	No Impact	Corporate Insight, Communities and Governance Manager
Procurement	No Impact	Corporate Insight, Communities and Governance Manager
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and are; There are no implications on biodiversity and climate change.	Corporate Insight, Communities and Governance Manager

2. INTRODUCTION AND BACKGROUND

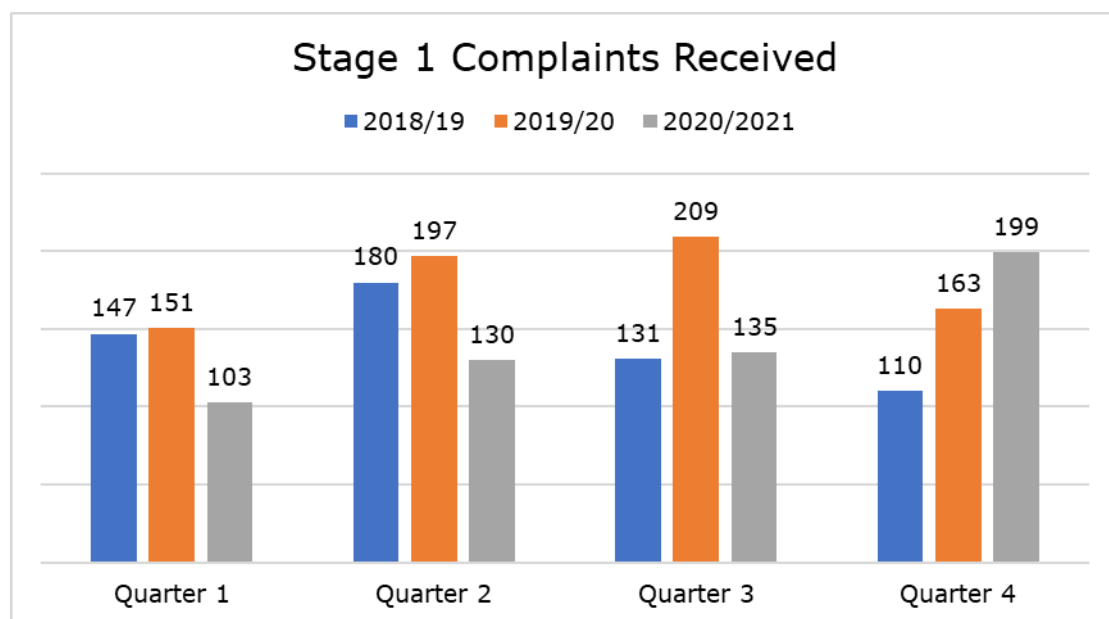
- 2.1 A complaint is a formal expression of dissatisfaction with the quality of a service, a failure to provide a previously agreed service, a policy or a decision made, a technical issue, a lack of communication or customer service, or the attitude or behaviour of a member of staff.
- 2.2 Complaints are managed and monitored by the Information Governance team. Complaints recorded under the formal procedure do not include first-time representations that were requests for service. In the event a service request was not handled correctly and created a form of dissatisfaction, a complaint would then be raised.
- 2.3 The Council's formal complaints procedure has three steps with the following response timescales:
- Stage 1 – within 10 working days.
 - Assessment – within 5 working days.
 - Stage 2 – within 20 working days.
- 2.4 Stage 1 complaints are dealt with by the service manager. If a complaint is about staff conduct, the complaint is dealt with by the staff member's line manager. Assessments are conducted by a member of the Information Governance team. Stage 2 complaints are investigated by a member of the Corporate Insight, Communities and Governance team on behalf of the Head of Policy, Communications and Governance.
- 2.5 Following the completion of stage 2 of the complaints process, complainants who remain dissatisfied have the opportunity to refer their complaint to the Local Government and Social Care Ombudsman (LGSCO).

- 2.6 The Council's complaints policy can be found here: <https://maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/information-and-data/tier-3-primary-areas/council-performance-reports/tier-3-primary-areas/policies/complaints-policy>

3. 2020/21 Performance Summary

Stage 1 Complaints

- 3.1 The Council received 567 stage 1 complaints in 2020/21, compared to 720 in the previous year. This is a decrease of 21.25%.
- 3.2 The Council received 567 stage 1 complaints in 2020/21, compared to 720 in the previous year. This is a decrease of 21.25%.
- 3.3 It is likely that this decrease was a result of the COVID-19 pandemic. The graph below shows the number of complaints received in each quarter; quarter 1 was when the first national lockdown occurred, quarter 2 was when restrictions began to ease during summer, and quarter 3 was when the country entered the second national lockdown. The jump in numbers of complaints received in quarter 4 can be explained by the large amount of Waste complaints received (128) as a result of disruption caused by snow, vehicle breakdowns, and access issues.



- 3.4 The volume of stage 1 complaints by service can be found at appendix 1.
- 3.5 The number of stage 1 complaints received accounts for 0.18% of the total volume of calls and online forms received by the Council in 2020/21 (309,600). This has decreased compared to 2019/20, when the number of stage 1 complaints received accounted for 0.28% of all calls and online forms received by the Council.
- 3.6 Stage 1 complaints for 2020/21 were analysed in two ways: categorisation of complaints received, and the number of upheld complaints.

The categorisation of complaints received

- 3.7 Complaints are categorised in the following way:

- **Policy & Decision:** This usually relates to an outcome of an assessment or a service request that has not been agreed (e.g. our decision to change the bin collection schedule).
- **Failure:** We have a responsibility for delivering a service. What started as a service request and was not completed properly may turn into a service failure.
- **Quality:** A data breach, incorrect information provided, quality of letters/responses, poor handling (e.g. broken bins due to our poor handling).
- **Technical:** Complaints about the website, cyber incidents, the telephone system, or other automated systems we use such as apps/parking machines.
- **Staff Conduct:** Complaints about the conduct of members of staff.
- **Customer Service:** The level of service an officer provided to a customer.
- **Communication:** Typically relating to telephone calls, letters, and emails not being responded to appropriately, or a general lack of communication.

3.8 The following table displays the number of stage 1 complaints received within each category. It is important to note that the overall number of stage 1 complaints received (567) does not match the total below because a complaint can have multiple reasons for dissatisfaction.

Reason for Complaint	Total Number	Percentage
Policy & Decision	180	29.6%
Failure	263	43.3%
Customer Service	58	9.5%
Communication	29	4.8%
Staff Conduct	39	6.4%
Quality	30	4.9%
Technical	9	1.5%

The number of upheld stage 1 complaints

- 3.9 An upheld complaint is one that is considered confirmed or supported.
- 3.10 Of the 567 stage 1 complaints, 33.9% (192) were upheld, 17.1% (97) were partially upheld, and 49% (278) were not upheld.

Assessments

- 3.11 Of the 567 stage 1 complaints received in 2020/21, 88 were escalated to the assessment stage of the Council's complaints process.

The number of upheld assessments

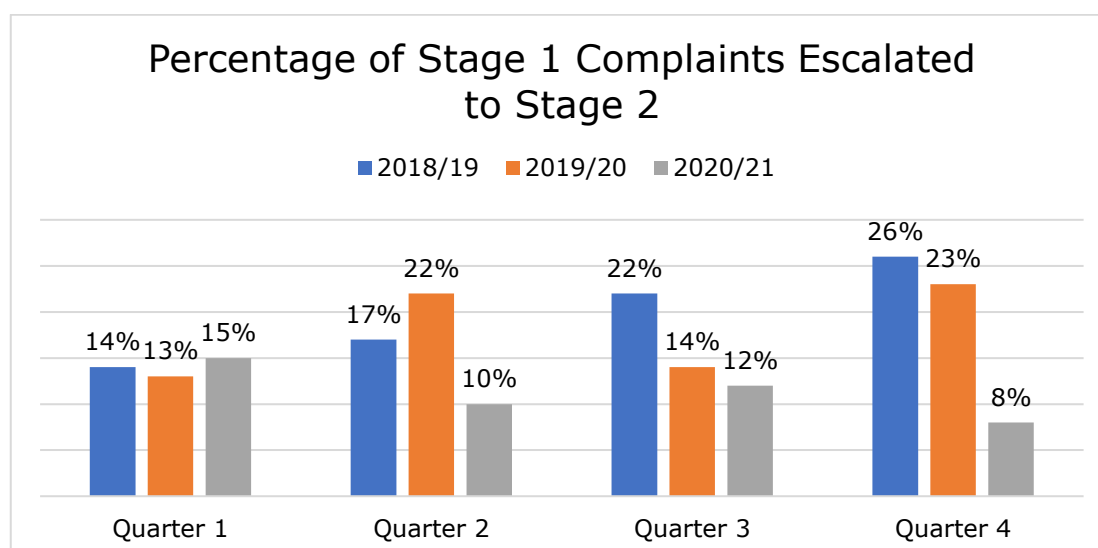
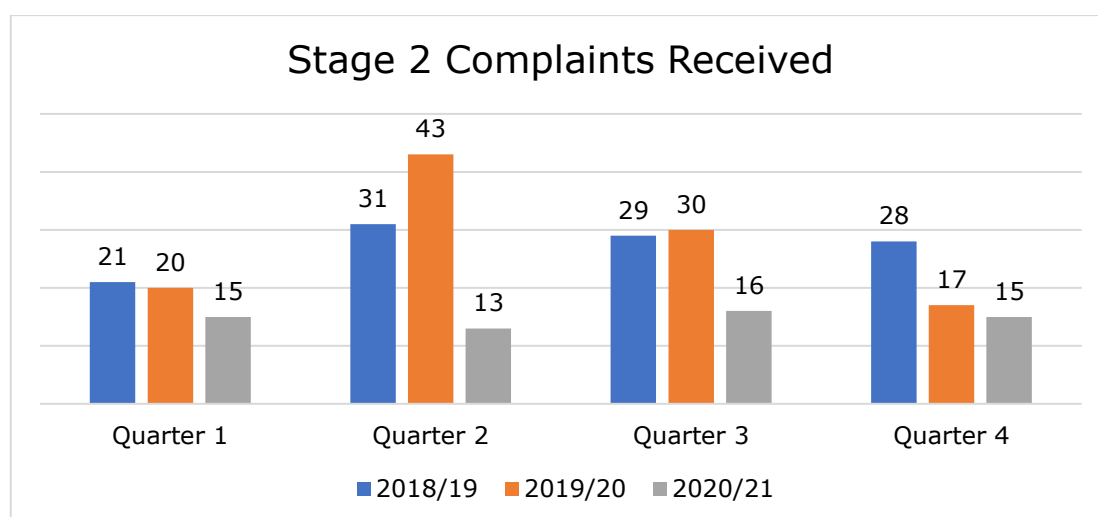
- 3.12 An assessment is upheld (or partially upheld) when it has been determined that the decision at stage 1 may not have been correct or that additional value can be added or an outcome could be achieved by undertaking a stage 2 investigation.
- 3.13 Of the 88 assessments conducted, 60.2% (53) were upheld and 2.3% (2) were partially upheld.

The number of justified assessments

- 3.14 A complaint is considered justified at assessment stage when the complainant has a valid concern regarding how their stage 1 complaint was handled and/or the decision that was made.
- 3.15 64.8% (57) of assessments concluded that the customer was justified in their reason for complaining.

Stage 2 complaints

- 3.16 Of the 567 stage 1 complaints received in 2020/21, 59 were escalated to the second stage of the Council's complaints process.
- 3.17 This is an escalation rate of 10.4%, compared to 15.3% in 2019/20. This is significantly lower than the performance target of 15%.
- 3.18 It is important to note that the total number of stage 2 complaints includes those that were assessed and upheld, and consequently escalated.



- 3.19 The volume of stage 2 complaints by service can be found at appendix 2.
- 3.20 Stage 2 complaints for 2020/21 were analysed in three ways: categorisation of complaints received, the number of upheld complaints, and the number of justified complaints.

- 3.21 The following table displays the number of stage 2 complaints received within each category. It is important to note that the overall number of stage 2 complaints received (59) does not match the total below because a complaint can have multiple reasons for dissatisfaction.

Reason for Complaint	Total Number	Percentage
Policy & Decision	21	30%
Failure	21	30%
Customer Service	13	18.57%
Quality	9	12.86%
Staff Conduct	3	4.29%
Communication	3	4.29%
Technical	0	-

The number of upheld stage 2 complaints

- 3.22 Of the 59 stage 2 complaints, 23.7% (14) were upheld, 35.6% (21) were partially upheld, and 40.7% (24) were not upheld.
- 3.23 Even when a complaint is upheld at assessment stage, it may not be upheld at stage 2. For example, an assessment may conclude that the escalation of the complaint is upheld because the customer reports that the issue has not been resolved, but the stage 2 investigation may determine that the current problem was not caused by the Council and so the complaint is not upheld.

The number of justified stage 2 complaints

- 3.24 A complaint is considered to be justified when the complainant has a valid concern regarding how their stage 1 complaint was handled and/or the decision that was made.
- 3.25 Stage 2 complaints can have different combinations in terms of whether they are upheld/not upheld and justified/unjustified. For example, a complaint could be justified in the reason for escalation because the response may not have been sufficiently detailed, but still not upheld as the stage 1 decision was correct.
- 3.26 71.2% (42) of stage 2 complaints were justified in their reason for complaining. This is an increase from 44.5% in 2019/20. This increase can be explained by the introduction of the assessment stage; complaints that are considered to be justified at assessment stage are escalated to stage 2, and thus the vast majority of stage 2 complaints are considered to be justified.

4. Time taken to respond

Stage 1 complaints

- 4.1 The Council's complaints policy states that stage 1 complaints will be responded to within 10 working days of receipt of the complaint. In 2020/21, 522 (92.06%) stage 1 complaints were responded to within this timescale. This has decreased since 2019/20, when 96.25% of stage 1 complaints were responded to within 10 working days.
- 4.2 If a complaint response is going to be late, the Information Governance Assistant will contact the customer to advise and provide a reason for the delay and an estimated response date.

- 4.3 In 2020/21, the average length of time taken to provide a formal response to all stage 1 complaints was 7.6 days. This is a small increase in response time from 2019/20 when the average time taken was 6.7 days.

Assessments

- 4.4 When a customer expresses dissatisfaction with the way their complaint has been handled, the Information Governance team aims to conduct an assessment within 5 working days. Against this target, 72 (81.8%) assessments were conducted in time.
- 4.5 The average length of time taken to conduct an assessment in 2020/21 was 5.1 days. This is a slight increase from 2019/20 when the average time taken was 5 days.

Stage 2 complaints

- 4.6 When a complaint is escalated to stage 2, an investigation is conducted by a member of the Corporate Insight, Communities and Governance team and a response is provided within 20 working days. Against this target, 49 (83.1%) stage 2 complaints were responded to on time in 2020/21.
- 4.7 As with stage 1, if a complaint response is going to be late, the Information Governance Assistant will contact the customer to advise them and provide a reason for the delay and an estimated response date.
- 4.8 In 2020/21, the average length of time taken to provide a formal response to all stage 2 complaints was 20.2 days. This is a slight increase compared to average of 19.8 days for 2019/20.

5. Summary of Overall Performance

- 5.1 The services with the highest volume of stage 1 complaints were Waste (52.2%), Parking (12.9%), and Development Management (9.2%), a combined total of 74.3% of all stage 1 complaints received. However, as a percentage of overall contact received by the Council, this is still very low (see paragraph 3.5).
- 5.2 The services with the highest stage 2 escalation rates were Waste (49.2%), Development Management (11.9%) and Parking (8.5%). This is not unexpected given the number of stage 1 complaints these services received.

6. Improvements Made and Next Steps

- 6.1 52.2% of all stage 1 complaints and 49.2% of all stage 2 complaints were regarding Waste Services:
- Some of the complaints were a result of disruption to collections caused by snow – it is difficult to put anything in place to prevent this unfortunately.
 - Many of the complaints were a result of issues with access for waste collection vehicles. Access problems were caused by the increase in the number of parked vehicles in residential areas as a result of lockdown measures. The Waste team worked with the waste contractor to find solutions to access issues, including by installing CCTV cameras in the collection vehicles in order to assess issues faced by the crews. The Council's Communications team also alerted residents to the impact of parked cars blocking access for collection vehicles. Recently, we have seen far fewer complaints regarding service disruption caused by access problems.

- 6.2 The Policy and Information team underwent a restructure in 2021 and became the Corporate Insight, Communities and Governance team. This contains four sub-teams, one of which is the Information Governance team who are responsible for managing the complaints process.
- 6.3 It is important that lessons are learned from the complaints process and recommendations for improvements are identified. The following actions have been implemented in order to try and improve the Council's complaints handling:
- The Information Governance team checks each stage 1 complaint response before sending it to the customer to ensure every point raised within the complaint has been thoroughly addressed in the response.
 - If the Information Governance team feels that anything is missing from the response, they contact the service manager and ask them to provide the missing detail.
 - The Information Governance team keeps in contact with the customer while the complaint is being investigated and advises them if more time will be required to fully investigate.
 - All stage 2 complaints are investigated by members of the Corporate Insight, Communities and Governance team and, before their responses are sent to the customers, they are checked by the Corporate Insight, Communities and Governance Manager; this ensures that all stage 2 complaints are investigated independently and responses have a consistent level of detail and tone.
 - A new ELMS training module on complaints handling has been designed by the team, this will be mandatory for all officers and managers who deal with complaints to complete.

7. Local Government and Social Care Ombudsman Annual Review Letter 2020/21 and Local Government and Social Care Ombudsman Review of Local Government Complaints 2020/21

- 7.1 Each year, this report and review letter is released to local authorities countrywide to communicate statistics from the complaints made to the LGSCO and comment on their performance in responding to investigations. The LGSCO's Annual Review Letter can be seen at appendix 4 and the report can be viewed here: <https://www.lgo.org.uk/information-centre/reports/annual-review-reports/local-government-complaint-reviews>
- 7.2 The 2020/21 Annual Review letter is positive for the Council, there is no comment or critique of its complaint handling and the LGSCO did not issue any public reports regarding Maidstone Borough Council in 2020/21.
- 7.3 To allow authorities to respond to the Covid-19 pandemic, the LGSCO did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints they received and made decisions on in 2020/21. This should be taken into consideration when comparing data from previous years.
- 7.4 The LGSCO made decisions on 32 complaints in 2020/21. This represents a decrease of 11 decisions made from 2019/20. Compared to 2019/20, the upheld rate has decreased by 14%.

Decision Category	2019/20	2020/21	Explanation
Closed After Initial Enquiries	19	9	On the basis of the complainant's referral, the LGSCO have decided not to investigate
Referred back to Council	6	9	The complaint hasn't gone through the Council's formal complaints process so it is referred back to the Council
Advice given	1	0	The LGSCO provided early advice or explained where to go for the right help
Invalid/not enough information	6	0	The LGSCO was unable to progress the complaint
Not Upheld	4	7	Following investigation, the LGSCO agrees with the Council's decision
Upheld	7	7	The LGSCO doesn't agree with the Council's decision and finds in favour or partial favour with the complainant
Upheld Rate	64%	50%	

7.5 A full list of LGSCO complaints by service can be found at appendix 3.

7.6 While the Council would strive to have no complaints upheld by the LGSCO, the performance overall has been good in relation to the number of complaints escalated to the LGSCO and the number investigated. The number of upheld complaints has stayed the same as 2019/20, however the upheld rate has decreased. Additionally, for all seven of the upheld complaints, the Council implemented the LGSCO's recommendation (100% compliance rate).

7.7 Maidstone Borough Council was not listed in the Decisions and Reports section of the LGSCO's annual report.

7.8 Please find below brief summaries of the complaints that were upheld by the Ombudsman in 2020/21, and outlines of the actions taken by the Council to remedy the complaints and ensure the same mistakes are not made in future:

7.8.1 Complaint regarding attachment of earnings payments – at the recommendation of the Ombudsman, the Council Tax team implemented a new procedure for dealing with attachment of earnings payments to ensure that payments are received as expected and reminders are sent when appropriate.

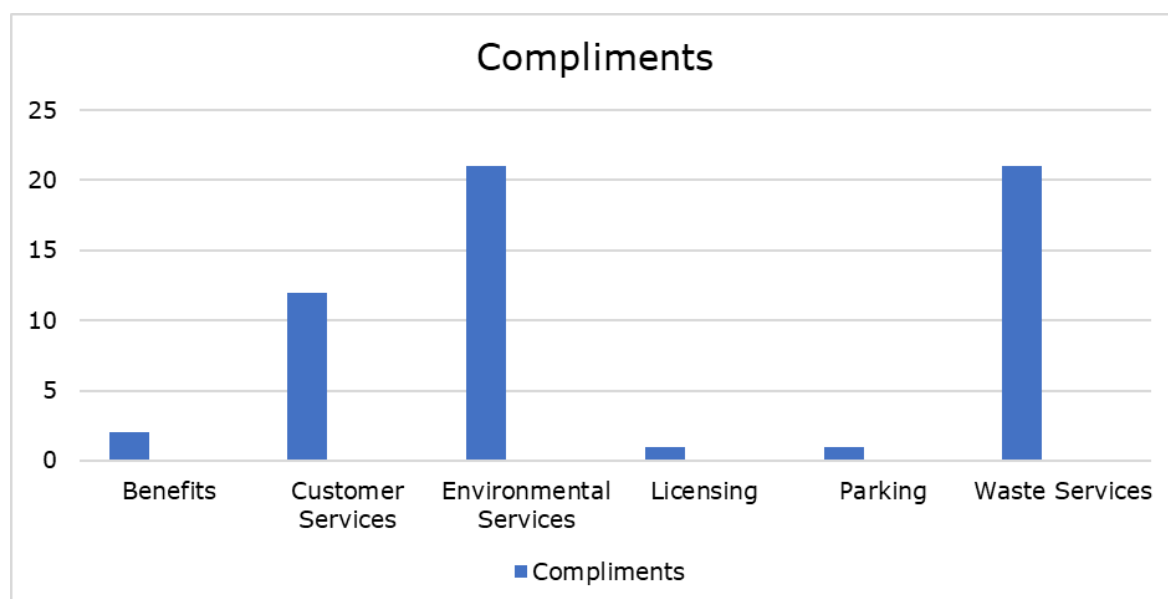
7.8.2 Complaint regarding the length of time taken to pay a Discretionary Housing Payment – the Benefits team apologised to the customer and issued a reminder to Customer Service Advisors that DHP applications cannot be looked at until we receive evidence of either Housing Benefit or Housing Element of Universal Credit.

7.8.3 Complaint regarding the way Mid Kent Enforcement dealt with the customer's proposed payment plan – at the recommendation of the Ombudsman, Mid Kent Enforcement removed the enforcement fee and allowed the customer to pay the remaining balance in monthly instalments of £10.

- 7.8.4 Complaint regarding a failure to enforce against vehicles parking in a particular area – the Parking team apologised to the customer and implemented a new process for dealing with reports that a vehicle is parked across a resident's driveway; where appropriate, the Civil Enforcement Officer will issue a PCN to the vehicle using their powers under the enforcement of vehicles parked across dropped kerbs.
- 7.8.5 Complaint regarding a failure to enforce against breaches of planning conditions – the Development Manager apologised to the complainant and paid him £100 for time and trouble, £200 for distress, and £200 for the lost opportunity to have taken enforcement action sooner. At the Ombudsman's recommendation, the Development Manager provided training to the Planning Enforcement team to ensure they follow the correct decision-making process on enforcement complaints and communicate decisions correctly to complainants. The Development Manager also reminded officers of the importance of carrying out site visits in line with the Planning Enforcement Policy.
- 7.8.6 Complaint regarding a failure to investigate potential planning breaches – the Development Manager apologised to the complainants and paid them £900 for their time and trouble, uncertainty, and avoidable frustration in making repeat complaints. At the recommendation of the Ombudsman, the Development Manager provided the complainants with updates on key events on the site every three months. Additionally, a new procedure for Street Naming and Numbering was implemented to ensure that information regarding any changes is shared between all relevant service areas, i.e. Council Tax and Planning Enforcement.
- 7.8.7 Complaint regarding noise nuisance from a temporary accommodation property and antisocial behaviour of the occupants - the Ombudsman upheld this complaint because they considered that the Council made decisions about noise nuisance and anti-social behaviour without any investigation process. However, the Ombudsman did not make any recommendations because the Council had already implemented remedies; the Temporary Accommodation team moved the occupants to new accommodation, which resolved the issues quicker than if formal action had been taken, and this removed the impact on the complainant of loud music and intimidating behaviour. The Temporary Accommodation team also resolved to work closely with future occupants and designated a single point of contact for complaints about the property.

8. Compliments

- 8.1 A compliment is an expression of praise for an interaction, a service, or a product. Compliments from members of the public are logged because they help identify good practice, recognise those members of staff who provide a high quality of service, and help us learn from customers' feedback.
- 8.2 The Council received 58 written compliments in 2020/21 compared to 47 in 2019/20. This is an increase of 23.4%.
- 8.3 The services with the largest volumes of compliments were
- Waste Services
 - Environmental Services (Depot)
 - Customer Services



9. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

9.1 It is best practice and an internal audit requirement that statistics are reported to the Audit, Governance and Standards Committee on an annual basis in relation to performance in the processing of complaints.

10. RISK

10.1 This report is presented for information only and has no risk management implications. Ongoing oversight of the management of complaints ensures good ongoing management of the complaints process.

11. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

11.1 That the report be recommended to the Audit Governance and Standards Committee in line with internal audit requirements.

12. REPORT APPENDICES

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

- Appendix 1: 2020/21 Stage 1 Complaint Volume Summary
 - Appendix 2: 2020/21 Stage 2 Complaint Volume Summary
 - Appendix 3: 2020/21 LGSCO Complaints by Service
 - Appendix 4: Local Government and Social Care Ombudsman Annual Review Letter 2020/21
-

2020/21 Stage 1 Complaint Volume Summary:

The number of complaints received can be broken down across the services as follows:

Service Area	Stage 1	% of overall stage 1 received	No. Responded Late	% Late
Benefits	8	1.4%	2	25%
Building Control	4	0.7%	2	50%
Cobtree Estates	0	-	-	-
Communications	1	0.2%	0	-
Community Protection	8	1.4%	3	37.5%
Council Tax	24	4.2%	1	4.2%
Crematorium & Cemetery	2	0.4%	0	-
Customer Services	10	1.8%	1	10%
Democratic Services	6	1.1%	0	-
Development Management (Planning)	52	9.2%	20	38.5%
Digital Services	3	0.5%	0	-
Economic Development	2	0.4%	0	-
Environmental Health	2	0.4%	0	-
Environmental Services (Depot)	10	1.8%	0	-
Facilities Management	0	-	-	-
Finance	2	0.4%	0	-
Heritage, Landscape & Design	0	-	-	-
Housing & Health	3	0.5%	1	33.3%
Housing Homelessness	13	2.3%	5	38.5%
Housing Register	13	2.3%	2	15.4%
ICT	0	-	-	-
Legal	2	0.4%	0	-
Licensing	0	-	-	-
Market	1	0.2%	0	-
Maidstone Culture and Leisure (Events, Leisure Centre, Hazlitt)	2	0.4%	0	-
Mid Kent Enforcement	0	-	-	-
Museums	0	-	-	-
NNDR	1	0.2%	0	-
Parking	73	12.9%	1	1.4%
Parks & Open Spaces	1	0.2%	0	-
Planning Enforcement	12	2.1%	1	8.3%

Appendix 1: 2020/21 Complaint Volume Summary

Service Area	Stage 1	% of overall stage 1 received	No. Responded Late	% Late
Planning Policy	7	1.2%	0	-
Planning Support	3	0.5%	0	-
Policy and Information	2	0.4%	0	-
Property and Procurement	3	0.5%	1	33.3%
Registration Services	1	0.2%	1	100%
Waste	296	52.2%	4	1.4%
Total	567			

2020/21 Stage 2 Complaint Volume Summary:

The number of complaints received can be broken down across the services as follows:

Service Area	Stage 2	% of overall stage 2 received
Benefits	2	3.4%
Building Control	1	1.7%
Cobtree Estates	0	-
Communications	0	-
Community Protection	2	3.4%
Council Tax	0	-
Crematorium & Cemetery	0	-
Customer Services	2	3.4%
Democratic Services	1	1.7%
Development Management (Planning)	7	11.9%
Digital Services	0	-
Economic Development	0	-
Environmental Health	0	-
Environmental Services (Depot)	0	-
Facilities Management	0	-
Finance	0	-
Heritage, Landscape and Design	0	-
Housing & Health	1	1.7%
Housing Homelessness	3	5.1%
Housing Register	1	1.7%
ICT	0	-
Legal	1	1.7%
Licensing	0	-
Market	0	-
MCL (Events, Leisure Centre, Hazlitt)	0	-
Mid Kent Enforcement	0	-
Museums	0	-
NNDR	0	-
Parking	5	8.5%
Parks & Open Spaces	0	-
Planning Enforcement	2	3.4%
Planning Policy	1	1.7%
Planning Support	1	1.7%

Appendix 2: 2020/21 Stage 2 Complaint Volume Summary

Service Area	Stage 2	% of overall stage 2 received
Policy and Information	0	-
Property and Procurement	0	-
Registration Services	0	-
Waste	29	49.2%
Total	59	

Appendix 3: 2020/21 LGCSO Complaint Volume Summary

2020/21 LGCSO Complaint Volume Summary:

The number of complaints received can be broken down across the services as follows:

LGCSO Complaint Description	Service Areas	No. of stage 1 complaints	No. of Stage 2 Complaints	No. reviewed by the LGCSO	Number upheld by the LGSCO
Adult Care Services	N/A	-	-	-	-
Benefits and Tax	Benefits Council Tax NNDR	33	2	9	2
Corporate and Other Services	Communications Customer Services Democratic Services Digital Services Economic Development Facilities Management Finance ICT Legal Licensing Market MCL Mid Kent Enforcement Museums Policy and Information Property and Procurement Registration Services	35	4	0	-
Education and Children's Services	N/A	-	-	-	-

Appendix 3: 2020/21 LGCSO Complaint Volume Summary

Environment Services & Public Protection & Regulation	Cobtree Estates Community Protection Crematorium & Cemetery Environmental Health Environmental Services (depot) Parks and Open Spaces Waste	319	31	3	1
Highways and Transport	Parking	73	5	5	2
Housing	Housing & Health Housing Homelessness Housing Register	29	5	2	0
Planning and Development	Building Control Development Management HLD Planning Enforcement Planning Policy Planning Support	78	12	13	2

Local Government & Social Care OMBUDSMAN

21 July 2021

By email

Ms Broom
Chief Executive
Maidstone Borough Council

Dear Ms Broom

Annual Review letter 2021

I write to you with our annual summary of statistics on the decisions made by the Local Government and Social Care Ombudsman about your authority for the year ending 31 March 2021. At the end of a challenging year, we maintain that good public administration is more important than ever and I hope this feedback provides you with both the opportunity to reflect on your Council's performance and plan for the future.

You will be aware that, at the end of March 2020 we took the unprecedented step of temporarily stopping our casework, in the wider public interest, to allow authorities to concentrate efforts on vital frontline services during the first wave of the Covid-19 outbreak. We restarted casework in late June 2020, after a three month pause.

We listened to your feedback and decided it was unnecessary to pause our casework again during further waves of the pandemic. Instead, we have encouraged authorities to talk to us on an individual basis about difficulties responding to any stage of an investigation, including implementing our recommendations. We continue this approach and urge you to maintain clear communication with us.

Complaint statistics

This year, we continue to focus on the outcomes of complaints and what can be learned from them. We want to provide you with the most insightful information we can and have focused statistics on three key areas:

Complaints upheld - We uphold complaints when we find some form of fault in an authority's actions, including where the authority accepted fault before we investigated.

Compliance with recommendations - We recommend ways for authorities to put things right when faults have caused injustice and monitor their compliance with our recommendations. Failure to comply is rare and a compliance rate below 100% is a cause for concern.

Satisfactory remedy provided by the authority - In these cases, the authority upheld the complaint and we agreed with how it offered to put things right. We encourage the early resolution of complaints and credit authorities that accept fault and find appropriate ways to put things right.

Finally, we compare the three key annual statistics for your authority with similar types of authorities to work out an average level of performance. We do this for County Councils, District Councils, Metropolitan Boroughs, Unitary Councils, and London Boroughs.

Your annual data will be uploaded to our interactive map, [Your council's performance](#), along with a copy of this letter on 28 July 2021. This useful tool places all our data and information about councils in one place. You can find the decisions we have made about your Council, public reports we have issued, and the service improvements your Council has agreed to make as a result of our investigations, as well as previous annual review letters.

I would encourage you to share the resource with colleagues and elected members; the information can provide valuable insights into service areas, early warning signs of problems and is a key source of information for governance, audit, risk and scrutiny functions.

As you would expect, data has been impacted by the pause to casework in the first quarter of the year. This should be considered when making comparisons with previous year's data.

Supporting complaint and service improvement

I am increasingly concerned about the evidence I see of the erosion of effective complaint functions in local authorities. While no doubt the result of considerable and prolonged budget and demand pressures, the Covid-19 pandemic appears to have amplified the problems and my concerns. With much greater frequency, we find poor local complaint handling practices when investigating substantive service issues and see evidence of reductions in the overall capacity, status and visibility of local redress systems.

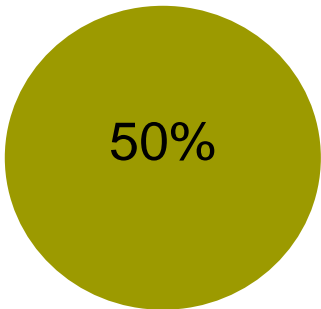
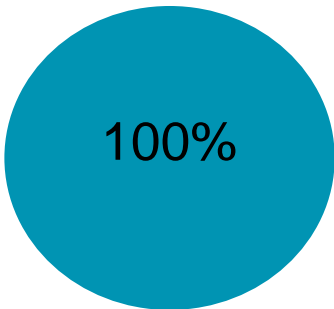
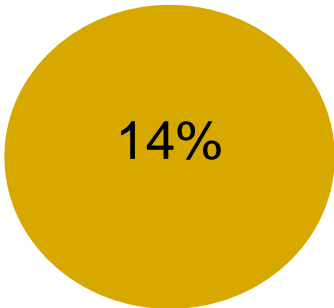
With this context in mind, we are developing a new programme of work that will utilise complaints to drive improvements in both local complaint systems and services. We want to use the rich evidence of our casework to better identify authorities that need support to improve their complaint handling and target specific support to them. We are at the start of this ambitious work and there will be opportunities for local authorities to shape it over the coming months and years.

An already established tool we have for supporting improvements in local complaint handling is our successful training programme. During the year, we successfully adapted our face-to-face courses for online delivery. We provided 79 online workshops during the year, reaching more than 1,100 people. To find out more visit www.lgo.org.uk/training.

Yours sincerely,



Michael King
Local Government and Social Care Ombudsman
Chair, Commission for Local Administration in England

Complaints upheld		
	<p>50% of complaints we investigated were upheld.</p> <p>This compares to an average of 53% in similar authorities.</p>	<p>7 upheld decisions</p> <p>Statistics are based on a total of 14 detailed investigations for the period between 1 April 2020 to 31 March 2021</p>
Compliance with Ombudsman recommendations		
	<p>In 100% of cases we were satisfied the authority had successfully implemented our recommendations.</p> <p>This compares to an average of 100% in similar authorities.</p>	<p>Statistics are based on a total of 6 compliance outcomes for the period between 1 April 2020 to 31 March 2021</p>
<ul style="list-style-type: none"> Failure to comply with our recommendations is rare. An authority with a compliance rate below 100% should scrutinise those complaints where it failed to comply and identify any learning. 		
Satisfactory remedy provided by the authority		
	<p>In 14% of upheld cases we found the authority had provided a satisfactory remedy before the complaint reached the Ombudsman.</p> <p>This compares to an average of 16% in similar authorities.</p>	<p>1 satisfactory remedy decision</p> <p>Statistics are based on a total of 14 detailed investigations for the period between 1 April 2020 to 31 March 2021</p>

NOTE: To allow authorities to respond to the Covid-19 pandemic, we did not accept new complaints and stopped investigating existing cases between March and June 2020. This reduced the number of complaints we received and decided in the 20-21 year. Please consider this when comparing data from previous years.

Agenda Item 13

Audit Governance and Standards

15 November 2021

Data Protection Update

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Angela Woodhouse Head of Policy Communications and Governance
Lead Officer and Report Author	Anna Collier Corporate Insight Communities and Governance Manager
Classification	Public
Wards affected	All

Executive Summary

Data Protection Act 2018 became law in May 2018. A key part of the Data Protection Act/UK GDPR is the accountability principle which requires organisations to have appropriate measures and records in place to be able to demonstrate compliance. An action plan has been in place since 2017 to ensure the Council was prepared for the changes and to ensure it maintains compliance. This annual update supports the Council meeting the accountability principle and ensuring a continual awareness of the national data protection landscape.

Purpose of Report

Discussion

This report makes the following recommendations to this Committee:

1. That the national context and progress to date be noted.
2. That the actions taken to date and next steps be noted.
3. That the Committee discuss the inclusion of performance data in future reports including FOI/EIR data.

Timetable

Meeting	Date
Corporate Leadership Team	2 November 2021
Audit, Governance and Standards Committee	15 November 2021

Data Protection Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Accountability supports organisations to minimise the risk to personal data held, by putting in place appropriate and effective policies, procedures and measures. By reducing risk and ensuring we have appropriate arrangements in place the Council will be able to meet our corporate objectives.	Corporate Insight, Communities and Governance Manager
Cross Cutting Objectives	The report recommendation supports the achievements of all cross-cutting objectives. It does this by ensuring that the Council collects, processes, stores and deletes residents' personal information responsibly and in accordance with the GDPR/DPA 18 whilst delivering its objectives.	Corporate Insight, Communities and Governance Manager
Risk Management	This action plan identifies actions to mitigate and manage risk in relation to the personal data held and processed by the Council.	Corporate Insight, Communities and Governance Manager
Financial	The proposals set out in the recommendation are all within already approved budgetary headings and so need no new funding for implementation.	Section 151 Officer & Finance Team
Staffing	We will deliver the recommendations with our current staffing.	Corporate Insight, Communities and Governance Manager
Legal	Accepting the recommendations will fulfil the Council's duties under the General Data Protection Regulations and the Data Protection Act 2018.	Legal Team
Privacy and Data Protection	Accepting the recommendations will fulfil the Council's duties under the General Data Protection Regulations and the Data Protection Act 2018.	Corporate Insight, Communities and

		Governance Manager
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Corporate Insight, Communities and Governance Manager
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Corporate Insight, Communities and Governance Manager
Crime and Disorder	No Impact	Corporate Insight, Communities and Governance Manager
Procurement	No Impact	Corporate Insight, Communities and Governance Manager
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and are; There are no implications on biodiversity and climate change.	Corporate Insight, Communities and Governance Manager

2. INTRODUCTION AND BACKGROUND

- 2.1 The purpose of this report is to provide an update on the progress of compliance with the Data Protection Act 2018 (the General Data Protection Regulation (GDPR)) that became law on the 25 May 2018. A report was first presented in November 2017 which set out the proposed resources and actions required for compliance, alongside a detailed action plan. Members have been provided with an update at least once a year since.
- 2.2 The Council has worked proactively to improve how we manage and hold personal data in-line with the Data Protection Act. Whilst there have been additional burdens in terms of the work required to meet the Act the actions taken have improved how the Council operates and how we manage and use personal data. Colleagues across the Council have been receptive to change and training to increase understanding and awareness of data protection and effective data management across the Council. This report

provides an update on key changes and points of note, progress against the action plan and highlights the areas where further work is required.

3. Information of note

Consultation on changes to data protection legislation

3.1 The Department for Digital, Culture, Media and Sport (DCMS) have published a consultation document entitled Data: A new direction. Their stated aim is to amend UK GDPR, DPA 2018 and PECR 2003, so that it aligns with ambitions around growth and innovation and becomes easier to understand and work within the legislation. Consultation on the new proposals is open until the 19 November 2021.

3.2 A copy of the full consultation can be found at <https://www.gov.uk/government/consultations/data-a-new-direction> and an overview of the key proposals has been provided at appendix A. The most relevant chapters to the Council are chapters two, four and five. Proposals key to note are

- Replacing requirements around the accountability framework with a risk-based approach such as Privacy Management Programmes;
- Changes to reduce the burdens of DPIAs and breach reporting but replacing with voluntary undertakings processes;
- Introducing a fee for Subject Access Requests and introducing a threshold for cost for responding similar to FOIs;
- Removing the role of DPO but still retaining requirements for clear roles and responsibilities; and
- A robust complaints process to handle Data Protection complaints.

3.3 A response to the consultation is being proposed by the Council in response to those elements of chapters two, four and five which relate strictly to the Council. Overall, the changes do not raise a great deal of concern excluding the charge for Subject Access Requests, where it is noted that this may exclude those who are financially insecure. The proposals suggest a reduction in burdens which is welcome however, it is not considered that the changes proposed, as they relate the Council, will significantly reduce the burden of Data Protection.

Data sharing code of practice

3.4 The Information Commissioners Office has published its long-awaited code of practice for data sharing <https://ico.org.uk/for-organisations/guide-to-data-protection/ico-codes-of-practice/data-sharing-a-code-of-practice/> The Code focuses on sharing of personal data between controllers. It does not cover sharing data with a processor (which should be subject to a data processing agreement) or within an organisation. It covers both routine/systematic data sharing and exceptional, one-off data sharing projects, as well as data pooling.

3.5 It does not impose any additional barriers to data sharing but provides practical advice on how to share data fairly and lawfully, as well as the best way to meet obligations of accountability. The code contains optional 'good

practice' recommendations and a necessary framework for negotiating information sharing which can be extremely challenging.

- 3.6 Learning from the code of practice will be rolled out to officers as part of data privacy week in January, information management training in early 2022 and existing training provided by the Data Protection Officer.

Information Commissioner's Office applies powers

- 3.7 Part of the ICO's role is to take action against those who don't meet their obligations in relation to data protection. In cases where a clear and serious breach of the legislation has taken place, the ICO will investigate and provide advice and instruction to help ensure the organisation gets it right in future. If an organisation isn't taking its responsibilities seriously, they may also take enforcement action. In the most serious cases, serving a monetary penalty of up to £17.5 million, or 4% of the total worldwide annual turnover, whichever is higher.
- 3.8 Reviewing relevant cases can be extremely helpful in providing real life cases of where things can go wrong to learn from and prevent similar cases occurring in the Council.

Direct Action against individuals

- 3.9 A motor industry employee unlawfully compiled lists of road traffic accident data including partial names, mobile phone numbers and registration numbers, transferring the data obtained to the director of an accident claims management firm. The two parties were ordered to carry out 100 hours' unpaid work and contribute £1,000 costs. A Confiscation Order, under the Proceeds of Crimes Act, to recover benefit obtained because of the offending had been given by the Court in which one party must pay £25,000 and the other £15,000 or face 3 months imprisonment.

Mermaids Charity

- 3.10 A charity set up an internal email group which was created with insufficiently secure settings, leading to approximately 780 pages of confidential emails to be viewable online for nearly three years. This led to personal information, such as names and email addresses, of 550 people being searchable online. The personal data of 24 of those people was sensitive as it revealed how the person was coping and feeling, with a further 15 classified as special category data as mental and physical health and sexual orientation were exposed. The charity was given a monetary penalty of £25,000.

HIV Scotland

- 3.11 The charity breached data protection through an email to 105 people which included patient advocates representing people living in Scotland with HIV. All the email addresses were visible to all recipients, and 65 of the addresses identified people by name. From the personal data disclosed, an assumption could be made about individuals' HIV status or risk. Whilst the charity acknowledged weaknesses in their approach, they continued to use

the same approach after the breach for a considerable time. The charity was given a monetary penalty of £10,000.

4. Progress against action plan and Next steps

- 4.1 The team set an ambitious action plan last year which was mainly focused on renewing existing documentation that had been put in place in advance of the DPA18. Large projects such as the programme of audits which were planned for summer 2021 have been postponed as they have not been possible to achieve alongside day-to-day data protection activities such as developing information sharing agreements and Data Protection Impact Assessments, which take up a substantial amount of the team's time.
- 4.2 Partly as a result of this there has been a change of structure this year within the Corporate Insight, Communities and Governance Team within whose remit data protection sits. The changes, which the service have made within existing budgets, were made with a focus on ensuring sufficient resources and resilience to information management activities across the Council. The Information Governance function is responsible for data protection, complaints, FOI/EIR and MP Correspondence, the structure of the Information Governance function can be seen at Appendix B. The changes have created a specific post to undertake the administrative elements of the service, allowing the Information Governance Officer greater capacity to focus on providing more day-to-day expert support to services, as well as a senior to share responsibility with the Corporate Insight Communities and Governance Manager for working with services to ensure that projects are compliant with legislation and information management is embedded.
- 4.3 The new Senior Information Governance Officer starts in January 2022 and the action plan has been re-timetabled to fit in with this, and delivery will be part of their objectives.
- 4.4 There have been a number actions successfully implemented
- Policies drafted;
 - Updates made to Privacy notices;
 - The CCTV review has been completed;
 - Operational guidance and procedures have been updated;
 - Issues with the Data Protection pages have been amended;
 - A dashboard has been created which allows for the ongoing monitoring of performance of DPIAs, Subject Access Requests and Information Sharing;
 - Operational Data Protection Meetings have been introduced and are minuted; and
 - A range of training has been planned for the year, including FOI and specialist information sharing training, in addition to e-learning and tailored team meeting training provided by the Data Protection Officer and Deputy. Recent sessions have included HR, Housing and Environmental Services.
- 4.5 Currently the team are exploring systems which may reduce administrative burdens whilst at the same time ensuring accountability and reducing risk, these benefits will of course need to be balanced against cost. Work is

beginning on implementing CCTV actions as well as looking at redesign of privacy notices.

- 4.6 The 28 January 2022 is Data Privacy Day, and the Information Management Board has agreed a suggestion to run a week of activities to provide information and reminders on Data Protection. This is something that Members may also want to be involved in as they are data controllers in their own right.
- 4.7 Looking forward consideration could be given to the inclusion in this report of performance data relating to wider information management relating to
- The processing of requests under Freedom of Information Act /Environmental Impact Regulations;
 - The processing of Subject Access Requests;
 - Management of Data Breaches
 - Information sharing Arrangements; and
 - Data Protection Impact Assessments.
- 4.8 This would give a more complete view of the work going on in this area as well as the success of actions implemented to ensure compliance.
-

5. AVAILABLE OPTIONS

- 5.1 That the Audit, Governance and Standards Committee continues to receive an annual update on the progress of embedding GDPR into the Council's processes. The committee could choose to receive reports on specific areas of GDPR instead of an annual update. The Committee could choose not to receive any further updates on the delivery of the GDPR action plan
-

6. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 6.1 That the committee continues to receive an annual update on the progress of embedding GDPR into the Council's processes until all actions become business as usual.
-

7. RISK

- 7.1 Accountability supports organisations to minimise the risk to personal data held, by putting in place appropriate and effective policies, procedures and measures. These must be proportionate to the risks, which can vary depending on the amount of data being handled or transferred, its sensitivity and the technology used.
-

8. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 8.1 The Committee has received a regular update since 2017. The chair of the committee also holds a place on the Council's Information Management Group.

9. REPORT APPENDICES

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

- Appendix A: Consultation Data: A New Direction
 - Appendix B: Information Governance Service Structure
 - Appendix C: Action Plan
-

Appendix A

Summary of the DCMS consultation Data: New Direction

The DCMS (the Department for Digital, Culture, Media and Sport) have published a consultation document entitled Data: new direction. Their stated aim is to amend UK GDPR, DPA 2018 and PECR 2003, so that it aligns with ambitions around growth and innovation and becomes easier to understand. Consultation on the new proposals is open until the 19 November.

The document sets out principles which guide their proposals.

- a) The UK's data protection regime should create a net benefit for the whole of the UK, unlocking new economic opportunities both at home and abroad, and keeping our society safe and secure
- b) The UK's data protection regime should be future-proofed with a responsive framework that enables responsible innovation and a focus on privacy outcomes that avoids imposing any rules today that become obsolete as the technological landscape evolves
- c) The UK's data protection regime should deliver a high standard of data protection for citizens whilst offering organisations flexibility in determining how to comply most effectively
- d) Organisations that comply with the UK's current regime should still be largely compliant with our future regime, except for only a small number of new requirements
- e) The government's approach to data protection should actively take into account the benefits of responsible use of personal data, while proactively maintaining public trust in such uses
- f) Effective, risk-based and preventative supervision is critical to realising a pro-growth and trusted data regime, and the ICO's world-leading status as the UK's independent data protection regulator should be sustained

The proposals don't deviate from current key elements of UK GDPR such as data processing principles, rights and the mechanisms around monitoring and enforcement however there are significant proposals across a range of areas, and these are summarised for each chapter below.

Chapter 1 – 'Reducing barriers to responsible innovation'

This chapter contains proposals to reduce barriers to using data for secondary research purposes and to further processing including by third parties. There is consideration given to the role regulations need to take to recognise AI including the significance of fairness, safeguarding and public trust. There are proposals to developing further legislation around data anonymisation.

Chapter 2 – 'Reducing burdens on businesses and delivering better outcomes for people'

The changes proposed may be significant for the Council, organisations will remain liable for investigation and the same level of fines under the old regime

should they fail to meet the data protection standards of the UK GDPR. Proposals include

- Reducing the burdens under the accountability framework, taking a risk-based approach based on the Canadian Privacy Management Programmes, organisations would still be required to have in place risk management processes, including the processes which allow for the identification, assessment and mitigation of data protection risks.
- There are also proposals to reduce burdens of DPIAs and Breach Reporting but against this there also proposals to introduce the government is considering whether to introduce a new voluntary undertakings process, similar to Singapore's Active Enforcement regime.
- In recognition of organisations capacity to process SARs there are proposals to introduce a fee, create a cost limit and threshold for response similar to FOI.
- Changing the rules around the collection of data around website cookies.
- Reducing the rules around political campaigning to give greater freedom.

Chapter 3 – 'Boosting trade and reducing barriers to data flows'

UK will maintain the existing framework for international data transfers, only permitting the transfer of personal data across borders when additional legal safeguards are met, such as the presence of a data adequacy agreement, the use of standard contract clauses, organizational arrangements, codes of conduct and specific derogations. The UK however will consult to allow for the greater use of some of these safeguards to suit more data transfer situations and looking to embed additional flexibility in the system so the UK can respond to new international transfer methods.

Chapter 4 – 'Delivering better public services'

This chapter partly responds to barriers encountered during Covid-19.

- It seeks to reflect the importance of third parties processing data for the public sector, by proposing to give them the same lawful basis to process as the public body. The Government however does not plan to introduce a general requirement that would compel disclosure of personal information to law enforcement or intelligence agencies.
- Extend the use of the Digital Economy Act
- Provide clarity that public and private bodies may lawfully process health data when necessary for reasons of substantial public interest in relation to public health or other emergencies.
- The government proposes introducing compulsory transparency in the reporting on the use of algorithms in decision-making for public authorities, government departments and government contractors using public data.
- Making the meaning of substantial public interest clearer which is a lawful basis for processing special category data. The proposal is whether to add a definition to the legislation, add new situations to the list set out in the Data Protection Act 2018 (DPA), or amend the existing situations.
- Streamlining and clarifying the rules on the collection, use and retention of biometric data by the police.

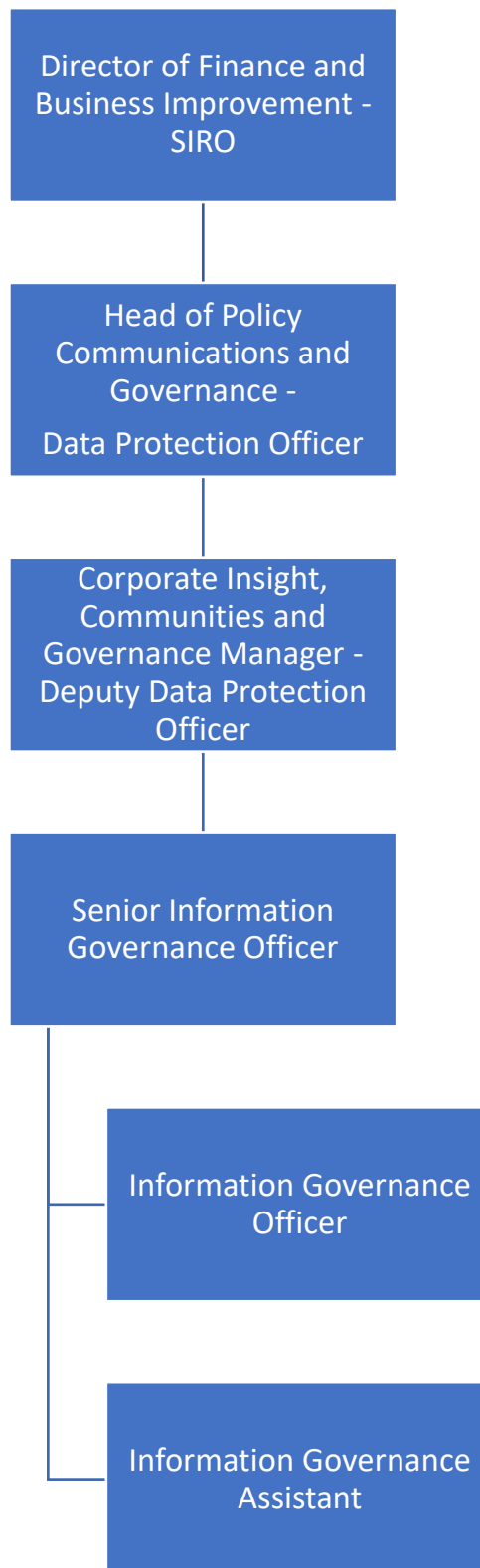
- Clarifying the rules on joint controllership in the DPA to facilitate improved cross-sector working, in particular the joint operational activity between law enforcement and national security partners.
- They are also consulting on removing the requirement for a DPO but organisations would need to document roles and responsibilities. Two alternative options are presented:
 - Allowing public authorities to follow the same approach as private sector organisations for determining whether it is necessary to appoint a DPO, i.e. a DPO would only be required if the authority's core activities consist of large-scale monitoring of data subjects or large-scale use of sensitive data or criminal convictions data.
 - Retain the requirement, but limit its scope to authorities meeting certain criteria, e.g. size of body, volume of data and aspects of the processing, such as whether it is for the purpose of making decisions affecting the data subjects.

Chapter 5 – 'Reform of the Information Commissioner's Office'

There is concern that UK GDPR does not provide the ICO with a sufficiently clear framework within which to operate and they want to empower the ICO unlock the power of data not just protect rights. Reforms suggested include changes to ICO's constitution and objectives to bring it in line with other regulators some of these proposals include:

- A new, statutory framework for the ICO to have greater account in economic growth, innovation and competition and for the ICO to deliver a more structured and transparent international strategy.
- New power for the Secretary of State for DCMS to prepare a statement of strategic priorities to inform how the ICO sets its own regulatory priorities.
- Reform the structure of the ICO to include an independent board and a chief executive officer. The board would be led by a chair with non-executive directors. The chief executive officer would have responsibility for the running of the organisation, while answering to the board.
- Importantly for the Council there is a proposal that complainants will be required to attempt to resolve their complaints directly with the relevant data controller before lodging a complaint with the ICO. This is aimed at reducing the burden on the ICO and the number of vexatious complaints received.
- As such proposals also include a requirement on data controllers to have a simple and transparent complaints-handling process in place to deal with data subject complaints.

Information Governance Structure



Data Protection Action Plan

Action	Comments	Start Date	End Date	Responsible	Status
Explore ways of recording that staff have read policies and procedures	System is currently being explored which would allow for recording	01/08/2021	01/10/2022	Angela Woodhouse	underway
Job descriptions for MG, AW, AC,	Partially completed due to restructure in the Corporate Insight Communities and Governance Team, new job descriptions have been drafted as part of this process, amends are required to senior officers to show SIRO, DPO status	01/12/2021	30/01/2022	Angela Woodhouse	underway
Review Logs to ensure best practice - Rights log (SAR). Infor sharing, DPIA and Data Breach need to be reviewed.	Logs have been reviewed however a system is now being explored which would allow for more accurate and efficient recording than spreadsheets	01/10/2021	30/03/2022	Anna Collier/Lauren Connett	underway
Undertake programme of information audits	Postponed and new date provided to coincide with new Senior Information Governance Officer	01/03/2022	30/09/2022	Senior Information Governance Officer	Planned
Redesign privacy notice	Design of Privacy Notices should consider: User testing, Electronic and hard-copies, using a combination of appropriate techniques, such as a layered approach, icons and mobile and smart device functionalities.	01/10/2021	30/03/2022	Anna Collier/Lauren Connett	underway
Audit Privacy Notices	Privacy Notices should be held in a structured way, including log of former Privacy notices. Review use of consents	01/10/2021	30/03/2022	Anna Collier	underway

Appendix C

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Action	Comments	Start Date	End Date	Responsible	Status
Develop regular programmed points of review of the ROPA in line with audits and survey of officers	postponed and new date provided to coincide with new Senior Information Governance Officer	01/03/2022	30/09/2022	Senior Information Governance Officer	postponed
Review Procurement and Data Protection risks	external advice being sought on the level of risk vs resource to undertake work	TBC	TBC	Anna Collier	TBC
Develop information Risk Register	external advice being sought to support undertaking the development of a best practice risk register	01/09/2021	30/11/2021	Anna Collier	Planned
Project documentation should be updated to include reference to DPIAs	Initially postponed and new date provided to coincide with new Senior Information Governance Officer	01/10/2021	TBC	Gary Hunter	underway
Publish DPIAs on website		17/11/2021	31/12/2021	Lauren Connett	underway
*introduce programme of data quality reviews	There was not sufficient capacity to introduce data quality reviews. New staff have been recruited into the data analytics function and will be undertaking training following which a programme of reviews will be introduced	01/04/2022	ongoing	Anna Collier	postponed
Retention schedule review	postponed and new date provided to coincide with new Senior Information Governance Officer	01/03/2022	30/09/2022	Senior Information Governance Officer	postponed
Introduce retention review programme	postponed and new date provided to coincide with new Senior Information Governance Officer	30/09/2022		Anna Collier	postponed
Develop a social media policy		TBC	TBC	julie Maddocks/julie may	Planned
Clear desk policy	To be implemented when return to office scheduled	01/10/2021	TBC		

Appendix C

Action	Comments	Start Date	End Date	Responsible	Status
develop page on website to provide to residents in cases of breach or if have privacy concerns		TBC	TBC	Gary Hunter	Planned
develop advice sheet to provide to residents in cases of breach or if have privacy concerns		TBC	TBC	Angela Woodhouse/Julie Maddocks	Planned
ensure DP and Information management is routinely on audit plan		TBC	TBC	Angela Woodhouse/Rich Clarke	Planned
Implement CCTV Review		01/12/2021	31/03/2020	Anna Collier/Lauren Connett	Planned
Implement updated policies		01/11/2021	31/01/2022	Anna Collier	underway
Add review of access to systems to Information Management Board	Departments have committed to regular review but wider monitor of access to systems is required	01/01/2022	ongoing	Julie May/Anna Collier	Planned

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

15 November 2021

Annual Governance Statement – Mid-Year Update

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Angela Woodhouse, Head of Policy, Communications and Governance
Lead Officer and Report Author	Angela Woodhouse, Head of Policy, Communications and Governance
Classification	Public
Wards affected	All

Executive Summary

This report provides the Committee with an update on those matters identified in the Annual Governance Statement for 2020-21 as requiring action.

Purpose of Report

For noting.

This report makes the following recommendations to this Committee:

That the update on progress with the current Annual Governance Statement Action Plan, at Appendix A, be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	15 November 2021

Annual Governance Statement – Mid-Year Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	<p>The four Strategic Plan objectives are:</p> <ul style="list-style-type: none"> • Embracing Growth and Enabling Infrastructure • Safe, Clean and Green • Homes and Communities • A Thriving Place <p>Effective corporate governance arrangements ensure the Council's priorities are understood and delivered.</p>	Head of Policy, Communications and Governance
Cross Cutting Objectives	<p>The four cross-cutting objectives are:</p> <ul style="list-style-type: none"> • Heritage is Respected • Health Inequalities are Addressed and Reduced • Deprivation and Social Mobility is Improved • Biodiversity and Environmental Sustainability is respected <p>Effective corporate governance arrangements ensure the Council's cross cutting objectives are understood and delivered.</p>	Head of Policy, Communications and Governance
Risk Management	The most significant risks from the Corporate Risk Register are included within the action plan in the Annual Governance Statement.	Head of Policy, Communications and Governance
Financial	Carrying out the actions identified in the action plan helps to ensure that the Council maintains high governance standards.	Section 151 Officer & Finance Team
Staffing	The action plan will be delivered within current staffing resources.	Head of Policy, Communications and Governance
Legal	<p>Section 6(1) of the Accounts and Audit Regulations 2015 requires all local authorities to:</p> <p>a) conduct a review of the effectiveness of the system of internal control required by</p>	Mid Kent Legal Partnership

	regulation 3; and (b) prepare an annual governance statement; Under the Council's Constitution one of the functions of the Committee is to oversee the production of the Council's Annual Governance Statement. The Annual Statement demonstrates measures are in place to ensure good governance arrangements which enable the Council to meet its statutory requirements.	
Privacy and Data Protection	Maintaining high standards in relation to privacy and data protection have been identified in the Annual Governance Statement as a key part of the governance framework and carried forward into the action plan and update.	Corporate Insight, Communities and Governance Manager
Equalities	Good governance will ensure the Council is adhering to the public sector equality duty.	Corporate Insight, Communities and Governance team
Public Health	No implications.	Public Health Officer
Crime and Disorder	No implications.	Head of Policy, Communications and Governance
Procurement	No implications.	Head of Policy, Communications and Governance
Biodiversity and Climate Change	Environmental impact is included in the review of the governance arrangements	Head of Policy, Communications and Governance

2. INTRODUCTION AND BACKGROUND

- 2.1 The Annual Statement of Corporate Governance for 2020-21 was considered and approved by the Committee in July 2021. The statement contained an Action Plan for 2021-22. This report provides an update on the progress made against the Action Plan as set out in Appendix A.
- 2.2 The actions outlined in Appendix A arose from areas identified in the corporate governance statement as requiring additional action to maintain the Council's governance standards.

2.3 A number of areas were identified for action including:

- Data Protection Action Plan
- Significant risks as identified from the corporate risk register
- Increasing transparency of data and information on the council's website
- Actions to ensure compliance with the Financial Management Code
- Review of Church Road Otham
- Change to Executive Model of Governance
- Raising awareness of the local code of corporate governance and the Nolan Principles
- Promoting decision making on Garden Communities

2.4 Progress has been made across all areas as outlined in Appendix A. A full report on data protection and the Action Plan previously reported to this Committee is included as a full agenda item at this meeting. As identified in the report the Council has worked proactively to improve how we manage and hold personal data in-line with the Data Protection Act. Whilst there have been additional burdens in terms of the work required to meet the Act the actions taken have improved how the Council operates and how we manage and use personal data. Colleagues across the Council have been receptive to change and training to increase understanding and awareness of data protection and effective data management across the Council.

2.5 The key corporate risks are regularly updated and monitored by the Audit Governance and Standards Committee the update sets out the actions that have been taken in respect of these risks.

2.6 A number of actions were identified to ensure the Council's compliance with the new Financial Management Code, actions are planned for the work on social value and commissioning later this municipal year and progress is reported for the actions for budget monitoring and the capital strategy.

2.7 Work continues on the new Executive Model of Governance which will be introduced at the Annual Meeting in May 2022. Having agreed the new structure the next phase of work is drafting the new constitution, an expert legal advisor has been appointed to assist with this task as it will be a substantial and critical piece of work. The working group of Democracy and General Purposes Committee will be supported by the Monitoring Officer and the Head of Policy, Communications and Governance as well as the democratic services team. Meetings are scheduled from November to March to complete the work required. Training is planned for Councillors and Officers on the new arrangements prior to their commencement in May.

3. AVAILABLE OPTIONS

3.1 The Committee could decide not to consider the Action Plan update provided at Appendix A, however the Action Plan is a key part of the Committee's

governance remit. The Committee can also request further information to seek assurance on the progress of the Action Plan if required.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 As stated in section 3.1 considering the Action Plan is a key part of the Committee's governance remit. The Committee is asked to note the update provided on the actions developed as a result of the annual review of governance.
-

5. RISK

- 5.1 This report is presented for information only. An update on the Key corporate risks has been included in the Annual Governance Statement Action Plan.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The Committee is invited to provide feedback on progress with the Action Plan.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 This report has been provided to update the Audit, Governance and Standards Committee and will be publicly available via the Committee papers on the Council's website. Any recommendations for further action by the Committee in regard to the Action Plan will be carried forward.
-

8. REPORT APPENDICES

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

- Appendix A: Annual Governance Statement Action Plan Update
-

9. BACKGROUND PAPERS

None.

Update on Annual Governance Statement - Action Plan 2021-22

Corporate Governance Area	Lead Officer	Update
Make data and information more freely accessible on the website and on request	Data Protection Officer	<p>A new space has now been created on the website called information and data https://maidstone.gov.uk/home/primary-services/council-and-democracy/primary-areas/information-and-data</p> <p>To bring all the relevant elements into one accessible place this includes access to information and results on our consultations, access to the council's disclosure log, as well as useful stats and data on local population.</p> <p>Work is currently underway on a dashboard development programme for services across the council. As part of this consideration is being given to publicly accessible information from services which could be made available through the use of dashboards, principles that need to be considered have been drafted for approval, which will help guide the Data Analytics Team. The team hope to have a first dashboard published this year.</p>
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Data Protection Officer	Report to Audit, Governance and Standards Committee 15 November 2021

Corporate Governance Area	Lead Officer	Update
Raising awareness of the local code of corporate governance and the Nolan Principles	Head of Policy, Communications and Governance	The local code of corporate governance was shared with Wider Leadership Team for development and insight in June 2021. An update is planned at an all staff webinar in 2022 on the code and what it means in practice. The Nolan principles for Councillors will be addressed when the code of conduct is updated, this is being progressed by the Monitoring Officer.
<p>Actions to ensure compliance with the Financial Management Code:</p> <ul style="list-style-type: none"> • Develop and embed a policy on Social Value • Review and update the Commissioning Strategy • Hold Member workshops to inform the development of the 2022/23 budget • Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal' • Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate. • Refresh the 2021/22 Capital Strategy 	Director of Finance and Business Improvement	<p>Social Value – Work not yet started</p> <p>Commissioning Strategy – Review to take place later this year</p> <p>Member workshops on budget – Briefing held for all members 26/10/21; regular meetings with Committee Chairs and Vice-Chairs to develop budget proposals</p> <p>Investment Appraisal – approach being refined as part of Capital Strategy update</p> <p>Budget monitoring reports – Under review with a view to updating format for 22/23</p> <p>Updated Capital Strategy due to be considered by Members January 2022</p>

Corporate Governance Area	Lead Officer	Update
Learning from governance failings at other Local Authorities	Chief Executive	Monthly meetings held with governance lead and statutory officers to review governance matters
Review of Church Road, Otham	Head of Policy, Communications and Governance	Report completed for submission to Democracy and General Purposes Committee on 23 November 2021
Change to Executive Model of Governance	Head of Policy, Communications and Governance	<p>Model approved by Full Council and notice of change published. The governance working group established by Democracy and General Purposes is meeting on 15 November to commence work on drafting the new constitution and an external legal advisor has been appointed to support the Monitoring Officer in its production.</p> <p>The work has been divided into sections and will progress through the working group onto Democracy and General Purposes Committee and then onto Council for approval in time for the new arrangements commencing at the Annual General Meeting in May 2021</p>
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	Director of Regeneration and Place	In respect of the public sector led Garden Community, there remains a clear separation in place between the Council acting as the Local Planning Authority and the Council acting as land promotor in partnership with Homes England. This differentiation is made clear in the various reports that go to the Strategic Planning and Infrastructure Committee and P&R Committees respectively.

Corporate Governance Area	Lead Officer	Update
		The Council and Homes England have appointed a communications firm to assist with community engagement from the land promotor perspective. Their work will include creating a new digital engagement platform for the project, where information with stakeholders can easily be shared.
Corporate Risk: Contraction in retail and leisure sectors, the Council will be developing a Town Centre Management Strategy	Director of Regeneration and Place	The principle of creating a town centre strategy has been approved as part of the Council's Recovery and Renewal Action Plan and so the funding is now in place for the work to commence. Furthermore, budget growth has been proposed for the next financial year for further economic development, arts & culture and visitor economy type initiatives to kick start the process of reimagining the town centre, to include a full calendar of events to bolster visitor numbers.
Corporate Risk: Financial Restrictions	Director of Finance and Business Improvement	Under regular review. This is addressed as part of Risk Reports to AGS Committee and in quarterly monitoring reports to Service Committees. The Medium-Term Financial Strategy is being updated to reflect both implications from Covid and longer-term issues around slower economic growth. Furthermore, measures are being identified to address future budget gaps
Corporate Risk: Environmental Damage	Head of Transformation and Property	Actions from the Carbon Trust report are in the process of being implemented and Policy & Resources Committee to provide governance and oversight on delivery of BD&CC Strategy.
Corporate Risk: Major Unforeseen Emergency	Chief Executive	Work is ongoing to ensure the robustness of Disaster Recovery and Business Continuity Arrangements.

Corporate Governance Area	Lead Officer	Update
Corporate Risk: Housing Pressure Increases	Director of Regeneration and Place	Initiatives to increasing housing and temporary accommodation provision underpinned by the drafting of a new Housing Strategy.
Corporate Risk: Brexit/EU transition	Director of Finance and Business Improvement	Risk downgraded but continues to be monitored. MBC officers participate in Kent Resilience Forum planning for disruption at Channel ports.

Audit, Governance & Standards Committee 15 November 2021

Interim Internal Audit & Assurance Report 2021/22

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Rich Clarke, Head of Audit Partnership
Lead Officer and Report Author	Rich Clarke, Head of Audit Partnership
Classification	Public
Wards affected	All

Executive Summary

Summarising the work towards completing the 2021/22 Audit & Assurance Plan agreed by this Committee in March 2021. Also gives updates on changes within the Mid Kent Audit Partnership, including the imminent departure of the Head of Audit Partnership.

Purpose of Report

Noting

This report makes the following recommendation to this Committee:

1. That work so far towards completing the 2021/22 Audit & Assurance Plan and updates on the Mid Kent Audit Partnership be noted.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	15 November 2021

Interim Internal Audit & Assurance Report 2021/22

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The report is for noting only, providing to Members an update on progress. It seeks no new decisions and makes no new proposals.	Rich Clarke, Head of Audit Partnership. 4 November 2021
Cross Cutting Objectives		
Risk Management		
Financial	Remaining work will be completed within agreed budgets and within agreed staffing levels.	
Staffing		
Legal	The report is for noting only, providing to Members an update on progress. It seeks no new decisions and makes no new proposals.	
Privacy and Data Protection		
Equalities		
Public Health		
Crime and Disorder		
Biodiversity and Climate Change		
Procurement	The audit support contracts mentioned in the report are being progressed in consultation with the shared procurement service.	

2. INTRODUCTION AND BACKGROUND

- 2.1 This Committee approved the 2021/22 Audit & Assurance plan earlier this year. This report summarises progress towards delivering the plan up to mid-October 2021, and sets out the path towards completing the plan over the next 6 months. It also provides updates on staffing within the service including the forthcoming departure of the Head of Audit Partnership.
- 2.2 The report confirms the current view of the Head of Audit Partnership that the service holds sufficient resource to accumulate enough evidence to support a year end opinion. The Head of Audit Partnership will update Senior Management and Members promptly should any concerns arise.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

3.1 We present the report for Member information and for noting.

4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

4.1 The format and information presented in the report builds on Committee feedback to previous audit summary reports.

5. REPORT APPENDICES

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

- Appendix 1: Internal Audit Interim Report 2021/22
-

6. BACKGROUND PAPERS

Various referenced background papers and guidance documents are included as hyperlinks within appendix 1.

Interim Internal Audit & Assurance Report

November 2021
Maidstone Borough Council



MID KENT AUDIT

Introduction

1. The Institute of Internal Audit gives the mission of internal audit: to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight.
2. The mission and its associated [code of ethics](#) and [Standards](#) govern over 200,000 professionals in businesses and organisations around the world. Within UK Local Government, authority for internal audit stems from the [Accounts and Audit Regulations 2015](#). The Regulations state services must follow the [Public Sector Internal Audit Standards](#) – an adapted and more demanding version of the global standards. Those Standards set demands for our reporting:

2060 Reporting to Senior Management and the Board

The chief audit executive must report periodically to senior management and the board on the internal audit activity's purpose, authority, responsibility and performance relative to its plan and on its conformance with the *Code of Ethics* and the *Standards*. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the board.

Interpretation:

The frequency and content of reporting are determined collaboratively by the chief audit executive, senior management and the board. The frequency and content of reporting depends on the importance of the information to be communicated and the urgency of the related actions to be taken by senior management and/or the board.

The chief audit executive's reporting and communication to senior management and the board must include information about:

- The audit charter.
- Independence of the internal audit activity.
- The audit plan and progress against the plan.
- Resource requirements.
- Results of audit activities.
- Conformance with the *Code of Ethics* and the *Standards*, and action plans to address any significant conformance issues.
- Management's response to risk that, in the chief audit executive's judgment, may be unacceptable to the organisation.

Audit Charter

3. This Committee approved our *Audit Charter* in September 2021 and it remains in place through the audit year.

MID KENT AUDIT

Independence of internal audit

4. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
5. Within Maidstone BC during 2021/22 we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
6. I confirm we have worked with full independence as defined in our Audit Charter and Standard 1100.

Management response to risk

7. We include the results of our work in the year so far later in this report. In our work we often raise recommendations for management action. During the year so far management have agreed to act on all recommendations we have raised. We report on progress towards implementation in the section titled *Agreed Actions Follow Up Results*.
8. There are no risks we have identified in our work that we believe management have unreasonably accepted.

Resource Need

9. We reported in our plan presented to this Committee in March 2021 an assessment on the resources available to the audit partnership for completing work at the Council. That review decided:

...we believe we have enough resource to deliver the 2021/22 plan
10. Since March 2021 we have experienced much change within the audit team. Shortly after Members agreed the plan, both of our most recent successful qualified trainees left for more senior roles elsewhere. While we're always pleased to support development, their loss left a notable gap in the team that we hoped to fill with recruits over the summer.
11. For that recruitment exercise, we were successful in having offers of employment accepted for all three audit roles advertised, unfortunately two candidates withdrew during the pre-employment checks having received better offers elsewhere.

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12. The result is the team continues to have vacancies at Auditor, Audit Apprentice and Risk & Governance Officer level. We hope to re-advertise these roles shortly. Until then we are preparing a market tender to seek contractor support in completing 2021/22 audit and assurance plans. We hope to award the contracts before the end of 2021, for work to take place in the New Year.
13. There has also been significant change within the management team. Russell Heppleston, Deputy Head of Audit, left the partnership after 16 years for a new role with the National Audit Office. To see out the year, Ali Blake of the Mid Kent Audit team has stepped up as Interim Deputy Head of Audit. Ali will focus on leading our risk and governance work, including implementation of JCAD, our new risk management software.
14. Joining us as interim audit manager, with particular responsibility for Ashford and Swale, is Julie Hetherington. Julie joins us after twelve years as an Audit Manager at London Borough of Lewisham and will be a great asset to the partnership.
15. Finally, after nearly eight years in the role as Head of Audit Partnership, Rich Clarke will leave for a new role at LB Lewisham in the New Year. Work is already underway to recruit Rich's successor.
16. Despite all this change we continue to make good progress through the Audit Plan agreed earlier this year. We continue to believe we have enough resources available to us to deliver the 2021/22 audit plan and provide a robust opinion at year end. However, this will be a matter of judgement for the next Head of Audit Partnership. We will, following guidance issued by CIPFA, report quickly to Senior Management and Members if we have any concerns that forecast will change.

Audit Plan Progress: Closing 2020/21

17. In July, there were two audit engagements approaching completion that did not finish in time for Committee deadlines. I set out below our summary findings for these remaining engagements. As expected, there were no significant concerns that would alter the opinion or demand separate reporting.

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Bailiff Service (September 2021)

18. Our opinion based on our audit work is the Enforcement Team has **SOUND** controls in place to manage its risks and support achievement of its objectives.
19. Mid Kent Enforcement have good controls in place to ensure staffing levels remain appropriate while their case load has fluctuated as a result of the pandemic. Staff are qualified and adequately trained to undertake their roles. There are various payment methods available to encourage debt repayment, with automated systems in place where possible to ensure accurate recording. Recovery notices are issued and payment arrangements are available when appropriate.
 - **Finding Summary:** 2 x Low priority.

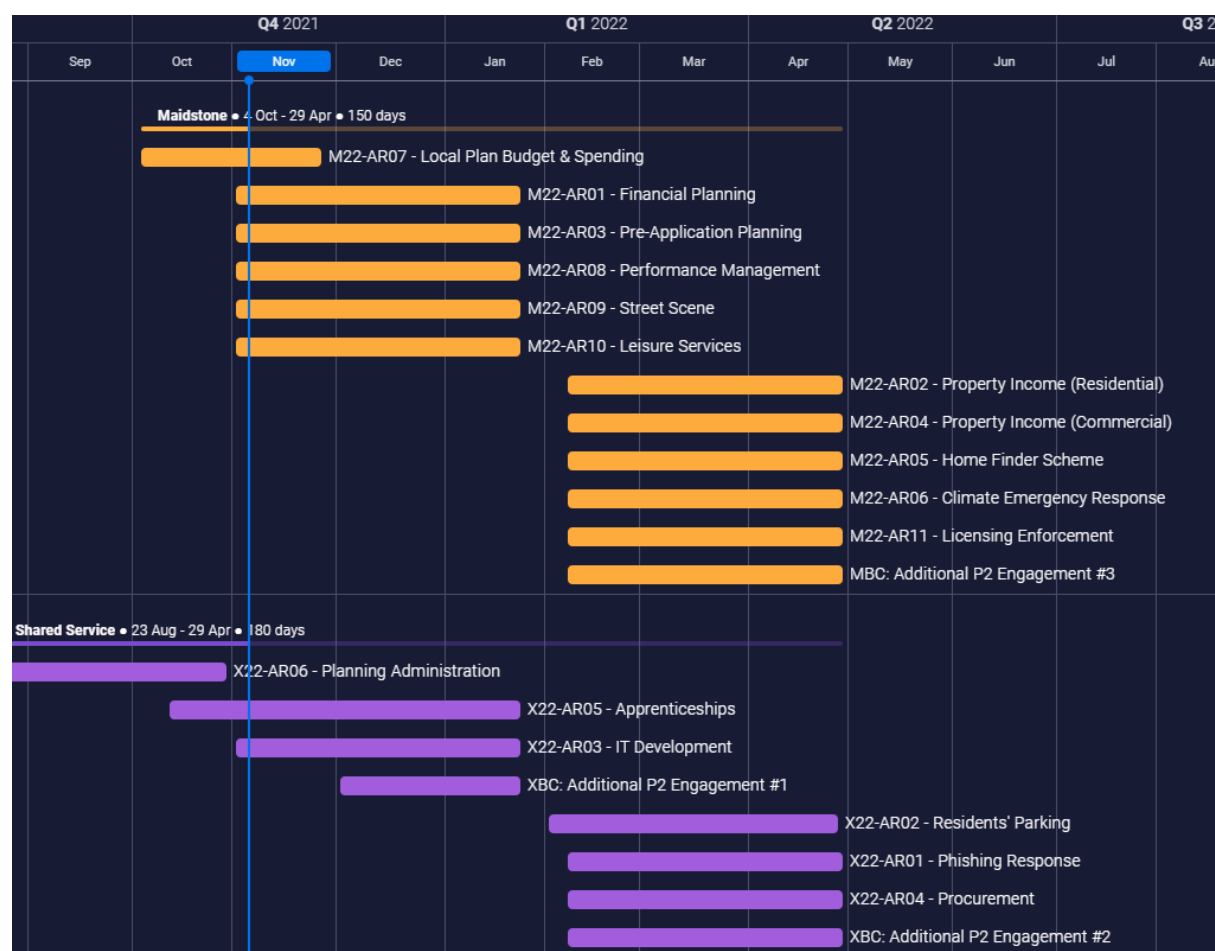
Public Consultations (October 2021)

20. Our opinion based on our audit work is the Council has **SOUND** controls in place to manage its risks and support achievement of its objectives in public consultations.
21. Guidance has been developed for staff to undertake consultations. Equalities and Data Protection impact assessments are carried out where required. Channels of communication are tailored to each consultation, depending on the subject matter, length, and scope.
22. A forward plan is in place and allows for adequate planning arrangements, though many requests for consultations do not come via this route, meaning it can be difficult to accommodate all requests. Consultations undergo a scoping exercise during the initial planning phase, using a standardised scoping form, the aims and objectives, target audience/key users, actions, and consultation period to be decided.
23. Following the end of the consultation period, the Communications team allows for time to analyse the results and start reporting the outcomes with the results published on the website.
 - **Finding Summary:** 1 x Medium priority, 1 x Low priority.

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Audit Plan Progress: Beginning 2021/22

24. The chart below shows current and expected progress through the engagements described in the 2021/22 Audit Plan:



Other work and overall progress

25. Our work on overseeing, updating, and reporting on risk has continued during the year in line with the Risk Management Framework. As well as the routine cycle of work we have now bought and began to build a risk management software package called JCAD. Implementation of this software will allow us to further settle and develop risk management across the Council. Audit, Governance & Standards Committee will receive a detailed report on the risk management framework in March 2022.
26. We have also completed a major investigation into the circumstances surrounding mistaken publication of planning notices on 19 August this year. We reported this investigation result to Members at Swale Borough Council's Overview & Scrutiny Committee on 21 October.

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27. The table below also summarises (up to mid-October) current days on audit plan progress, with forecast position later in the year.

Plan Area	Plan Days	Actual to mid-Oct-21	Forecast to Apr-22
Risk Based Audits	335	93	343
Governance	115	37	89
Consultancy	50	18	34
Total	500	148	466

28. We will keep these forecasts and plans under review, especially watching the result of contracting and recruitment plans.

Agreed Actions Follow Up Results

29. Our approach to agreed actions is that we follow up each as it falls due in line with the plan agreed with management when we finish our reporting. We report progress on implementation to Corporate Leadership Team each quarter. This includes noting any matters of continuing concern and where we have revisited an assurance rating (typically after addressing key actions). In total, we summarise in the table below the current position on following up agreed actions:

	Total	High Priority	Medium Priority	Low Priority
Actions brought into 2021/22	14	5	6	3
New actions agreed in 2021/22	25	1	13	11
Total Actions Agreed	39	6	19	14
Fulfilled by 31 October 2021	25	3	11	11
Actions cfwd past 31 October 2021	14	3	8	3
Not Yet Due	11	1	7	3
Delayed but no extra risk	3	2	1	0
Delayed with risk exposure	0	0	0	0

Audit Quality and Improvement

Code of Ethics

30. This Code applies specifically to internal auditors, though individuals within the team must comply with similar Codes for their own professional bodies. The Standards also direct auditors in the public sector to consider the Committee on Standards in Public Life's [Seven Principles of Public Life](#) (the "Nolan Principles").

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31. We have included the Code within our Audit Manual and training for some years. We also have policies and guidance in place on certain specifics, such as managing and reporting conflicts of interest.
32. We can report to Members we remain in conformance with the Code.

Acknowledgements

33. We achieve these results through the hard work and dedication of our team and the resilience that comes from working a shared service across four authorities.
34. As a management team in Mid Kent Audit, we wish to send our public thanks to the team for their work through the year so far.
35. We would also like to thank Managers, Officers and Members for their continued support as we complete our audit work during the year.

Agenda Item 16

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

15 November 2021

Treasury Management Mid-Year Review 2021/22

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Ellie Dunnet – Head of Finance
Lead Officer and Report Author	John Owen – Finance Manager
Classification	Public
Wards affected	All

Executive Summary

This report sets out the activities of the Treasury Management Function for the first 6 months of the 2021/22 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities.

Purpose of Report

This report requires a decision from the Committee.

This report makes the following recommendations to this Committee:

1. That the position of the Treasury Management Strategy as at 30 September 2021 be noted;
2. That no amendments to the current procedures are necessary as a result of the review of activities in 2021/22.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	15 November 2021

Treasury Management Mid-Year Review 2021/22

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Treasury Management Function ensures the safeguarding of Council finances and the liquidity of funds when liabilities become due to support the strategic plan objectives.	Head of Finance
Cross Cutting Objectives	The report recommendations support the achievements of all the cross-cutting objectives in the way stated above.	Head of Finance
Risk Management	Covered in the risk section of this report.	Head of Finance
Financial	This report relates to the financial activities of the council in respect of treasury management and specific financial implications are therefore detailed within the body of the report.	Section 151 Officer & Finance Team
Staffing	None	Head of Finance
Legal	<p>Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management.</p> <p>The legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.</p> <p>Appropriate remedial action should be taken if at any time it appears likely that expenditure will exceed available resources. The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Having received a S114 report, members are obliged to take all reasonable practical measures to bring the budget back into balance.</p>	Legal Team

Privacy and Data Protection	None	Policy and Information Team
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment.	Equalities & Communities Officer
Public Health	None	Public Health Officer
Crime and Disorder	None	Head of Finance
Procurement	None	Head of Finance and Section 151 Officer
Biodiversity and Climate Change	There are no direct implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

- 2.1 The Council has adopted the Chartered Institute of Public Finance and Accountancy's Treasury Management in the Public Services: Code of Practice (the CIPFA Code) which requires the Authority to approve treasury management semi-annual and annual reports.
- 2.2 The Authority's Treasury Management Strategy for 2021/22 was approved at Council on 24th February 2021. The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk is therefore central to the Authority's treasury management strategy.
- 2.3 This report has been written in accordance with the requirements of the Chartered Institute of Public Finance and Accountancy's (CIPFA) Code of Practice on Treasury Management (revised 2017).

The primary requirements of the Code are as follows:

- Creation and maintenance of a Treasury Management Policy Statement which sets out the policies and objectives of the Council's treasury management activities.
- Creation and maintenance of Treasury Management Practices which set out the manner in which the Council will seek to achieve those policies and objectives.

- Receipt by the full council of an annual Treasury Management Strategy Statement - including the Annual Investment Strategy and Minimum Revenue Provision Policy - for the year ahead, a Mid-year Review Report and an Annual Report, (stewardship report), covering activities during the previous year.
- Delegation by the Council of responsibilities for implementing and monitoring treasury management policies and practices and for the execution and administration of treasury management decisions.
- Delegation by the Council of the role of scrutiny of treasury management strategy and policies to a specific named body. For this Council the delegated body is the Audit, Governance and Standards Committee.

2.4 This mid-year report has been prepared in compliance with CIPFA's Code of Practice on Treasury Management, and covers the following:

- An economic update for the first half of the 2021/22 financial year;
- A review of the Treasury Management Strategy Statement and Annual Investment Strategy;
- A review of the Council's investment portfolio for 2021/22;
- A review of the Council's borrowing strategy for 2021/22;
- A review of compliance with Treasury and Prudential Limits for 2021/22.

2.5 Economics Update

- The Council's treasury advisors, Link Asset Services, have provided the Council with the following economic update for the first 6 months of 2021/22 (information is correct as of 06/10/2021).
- At a meeting on 24th September 2021, the Monetary Policy Committee (MPC) voted unanimously to leave Bank Rate unchanged at 0.10% and made no changes to its programme of quantitative easing purchases due to finish by the end of this year at a total of £895bn; two MPC members voted to stop the last £35bn of purchases as they were concerned that this would add to inflationary pressures.
- There was a major shift in the tone of the MPC's minutes at this meeting from the previous meeting in August which had majored on indicating that some tightening in monetary policy was now on the horizon, but also not wanting to stifle economic recovery by too early an increase in Bank Rate. In his press conference after the August MPC meeting, Governor Andrew Bailey said, "the challenge of avoiding a steep rise in unemployment has been replaced by that of ensuring a flow of labour into jobs" and that "the Committee will be monitoring closely the incoming evidence regarding developments in the labour market, and particularly unemployment, wider measures of slack, and underlying wage pressures." In other words, it was flagging up a potential danger that labour shortages could push up wage growth by more than it expects and that, as a

result, CPI inflation would stay above the 2% target for longer. It also discounted sharp increases in monthly inflation figures in the pipeline in late 2021 which were largely propelled by events a year ago e.g., the cut in VAT in August 2020 for the hospitality industry, and by temporary shortages which would eventually work their way out of the system: in other words, the MPC had been prepared to look through a temporary spike in inflation.

- So, in August the country was just put on alert. However, this time the MPC's words indicated there had been a marked increase in concern that more recent increases in prices, particularly the increases in gas and electricity prices in October and due again next April, are, indeed, likely to lead to faster and higher inflation expectations and underlying wage growth, which would in turn increase the risk that price pressures would prove more persistent next year than previously expected. Indeed, to emphasise its concern about inflationary pressures, the MPC pointedly chose to reaffirm its commitment to the 2% inflation target in its statement; this suggested that it was now willing to look through the flagging economic recovery during the summer to prioritise bringing inflation down next year. This is a reversal of its priorities in August and a long way from words at earlier MPC meetings which indicated a willingness to look through inflation overshooting the target for limited periods to ensure that inflation was 'sustainably over 2%'. Indeed, whereas in August the MPC's focus was on getting through a winter of temporarily high energy prices and supply shortages, believing that inflation would return to just under the 2% target after reaching a high around 4% in late 2021, now its primary concern is that underlying price pressures in the economy are likely to get embedded over the next year and elevate future inflation to stay significantly above its 2% target and for longer.
- Financial markets are now pricing in a first increase in Bank Rate from 0.10% to 0.25% in February 2022 (however the markets are pricing in a rate rise for December 2021), but this looks ambitious as the MPC has stated that it wants to see what happens to the economy, and particularly to employment once furlough ends at the end of September. At the MPC's meeting in February it will only have available the employment figures for November: to get a clearer picture of employment trends, it would need to wait until the May meeting when it would have data up until February. At its May meeting, it will also have a clearer understanding of the likely peak of inflation.

2.6 Interest Rates

- The Council's treasury advisor, Link Group, provided the following forecasts on 29th September 2021 (PWLb rates are certainty rates, gilt yields plus 80bps):

Link Group Interest Rate View		29.9.21								
	Dec-21	Mar-22	Jun-22	Sep-22	Dec-22	Mar-23	Jun-23	Sep-23	Dec-23	Mar-24
BANK RATE	0.10	0.10	0.25	0.25	0.25	0.25	0.50	0.50	0.50	0.75
3 month ave earnings	0.10	0.10	0.20	0.20	0.30	0.40	0.50	0.50	0.60	0.70
6 month ave earnings	0.20	0.20	0.30	0.30	0.40	0.50	0.60	0.60	0.70	0.80
12 month ave earnings	0.30	0.40	0.50	0.50	0.50	0.60	0.70	0.80	0.90	1.00
5 yr PWLB	1.40	1.40	1.50	1.50	1.60	1.60	1.60	1.70	1.70	1.70
10 yr PWLB	1.80	1.80	1.90	1.90	2.00	2.00	2.00	2.10	2.10	2.10
25 yr PWLB	2.20	2.20	2.30	2.30	2.40	2.40	2.40	2.50	2.50	2.60
50 yr PWLB	2.00	2.00	2.10	2.20	2.20	2.20	2.20	2.30	2.30	2.40

- As shown in the forecast table above, one increase in Bank Rate from 0.10% to 0.25% has now been included in quarter 2 of 2022/23, a second increase to 0.50% in quarter 2 of 23/24 and a third one to 0.75% in quarter 4 of 23/24. As stated in 2.5, the bank rate is forecast to rise in quarter 1 which will in turn bring forward the expected increases.
- Bank Rate is not expected to go up fast after the initial rate rise as the supply potential of the economy has not generally taken a major hit during the pandemic, so should be able to cope well with meeting demand without causing inflation to remain elevated in the medium-term, or to inhibit inflation from falling back towards the MPC's 2% target after the surge to around 4% towards the end of 2021.
- The overall balance of risks to economic growth in the UK is now to the downside, including residual risks from Covid and its variants - both domestically and their potential effects worldwide.
- As the interest forecast table for PWLB certainty rates above shows, there is likely to be a steady rise over the forecast period, with some degree of uplift due to rising treasury yields in the US.
- The forecasts are also predicated on an assumption that there is no break-up of the Eurozone or EU within our forecasting period, despite the major challenges that are looming up, and that there are no major ructions in international relations, especially between the US and China / North Korea and Iran, which have a major impact on international trade and world GDP growth.
- The Bank of England has amended its target for monetary policy so that inflation should be 'sustainably' over 2% so there will be a greater emphasis on other targets for monetary policy, before the consideration of increasing rates further.

2.7 Treasury Management Strategy Statement and Annual Investment Strategy Update

2.7..1 The Treasury Management Strategy Statement, (TMSS), for 2020/21 was approved by this Council on 24th February 2021 in accordance with the

CIPFA Treasury Management Code of Practice, it sets out the Council's investment priorities as being:

- Security of capital
- Liquidity
- Yield

2.7..2 There are no policy changes required to the TMSS for 2021/22. The details in this report update the position of the treasury management function and the economic position.

2.8 Investment Portfolio

2.8..1 The council held investments totalling £16.16m at the start of the year, this has now risen to £45.19m as at 30th September 2021. The reason the investment balance is at this level is due to business and COVID grant funding from the Government and the lower than forecasted Capital spend. However, grants will soon be repaid to Government and the capital programme will accelerate over the next few months, which in turn will reduce this balance.

2.8..2 A full list of investments held at this time is shown in **Appendix A**. All investments are held in either short term notice accounts or money market funds, to be readily available to fund the Council's liabilities, including the capital programme.

2.8..3 Investment income to 30th September 2021 totals £21k against a budget of £50k with an average rate of 0.13%. As the interest rates in the table above show, rates are at historically low levels and as the Council's Treasury Management Strategy 2021/22 dictates that investments will be kept short term to meet liabilities, these are kept in low yielding short term instruments.

2.8..4 Due to the possible interest rate increase, investment rates for the 6 to 12 months have increased, which the Council will look to utilise if appropriate.

2.9 Debt Portfolio

2.9..1 The Council's capital financing requirement (CFR) for 2021/22 is £69.663m. The CFR denotes the Council's underlying need to borrow for capital purposes. If the CFR is positive the Council may borrow from the PWLB or the market (external borrowing) or from internal balances on a temporary basis (internal borrowing). In practice, owing to slippage in the capital programme, it is unlikely that borrowing on this scale will be required in practice.

2.9..2 The Council has short term external borrowing of £9m from other local authorities. A list of these can also be found in Appendix A.

2.9..3 The Council has constantly reviewed long term rates to determine when would be the best time to lock into these rates fixed term rates. There had been no cause to do this as at 30th September 2021, however with the

possibility of increasing rates the Council is looking to take on a small amount of PWLB borrowing. The aim is to cut back on short term funding and to lock in some certainty with rates which are currently around the 2% mark (as at writing this report). The intention is to replace short term borrowing with longer term certainty as the fixed term of short term loans expires.

2.10 Prudential and Treasury Indicators

- 2.10..1 It is a statutory duty for the Council to determine and keep under review 'Affordable Borrowing Limits.' During the first six months of financial year 2021/22, the Council has operated within the prudential and treasury indicators set out in the Treasury Management Strategy Statement and in compliance with the Council's Treasury Management Practices. The prudential and treasury indicators can be found in **Appendix B**.
- 2.10..2 The Director of Finance & Business Improvement confirms no indicator has been breached in the first half of 2021/22.
-

3. AVAILABLE OPTIONS

- 3.1 The Audit, Governance and Standard Committee agrees that no amendments to the current procedures are necessary as a result of a review of activities of the first 6 months of 2021/22.
- 3.2 The Audit, Governance and Standard Committee proposes changes to the current procedures as the result of a review of activities with the first 6 months of 2021/22.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit, Governance and Standard Committee agrees that no amendments to the current procedures are necessary as a result of a review of activities of the first 6 months of 2021/22 as there are no justifications to make any changes.
-

5. RISK

- 5.1 Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2021/22 report. This report is purely for information purposes and has no risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 None
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 If Audit, Governance and Standards Committee agrees that no change in current procedures with Treasury management will be made, then there will be no further action.
-

8. REPORT APPENDICES

- 8.1 The following documents are to be published with this report and form part of the report:
- Appendix A - Investments-Borrowing 30th September 2021
 - Appendix B - Prudential and Treasury Indicators
-

9. BACKGROUND PAPERS

- 9.1 None

Maidstone Borough Council Investments/Borrowing as at 30th September 2021

Investments

Counterparty	Type of	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Handelsbanken	Call account	5,000,000			0.10%	12 Months	£5,000,000
Goldman Sachs International Bank	Call account	2,000,000			0.23%	6 Months	£5,000,000
Lloyds Bank Plc	Call account	1,000,000			0.05%	6 Months	£5,000,000
Lloyds Bank Plc	Call account	4,000,000			0.01%	6 Months	£5,000,000
Santander Bank Plc	Call account	5,000,000			0.55%	6 Months	£5,000,000
Aberdeen Standard Liquidity Fund Sterling Fund	Money Market Fund	7,250,000			0.01%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	9,970,000			0.02%		£10,000,000
Federated Hermes Short-Term Sterling Prime Fund	Money Market Fund	7,970,000			0.01%		£10,000,000
Landesbank Hessen Thuringen Girozentrale	Fixed Term Deposit	3,000,000	28/09/2021	29/10/2021	0.08%	6 Months	£5,000,000

45,190,000

Borrowing

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Rate of Return
Middlesbrough Teeside Pension Fund	Local Authority	4,000,000	20/08/2021	19/08/2022	0.08%
South Gloucestershire Council	Local Authority	2,000,000	30/06/2021	30/12/2021	0.05%
Bridgend County BC	Local Authority	3,000,000	30/06/2021	30/12/2021	0.05%

9,000,000

PRUDENTIAL INDICATORS

Capital Expenditure

2021/22 Original Est £m	2021/22 Revised Est £m	2021/22 Actual £m
54.600	29.438	7.255

This indicator shows the total spend on the capital programme as at 30th September 2021 against the estimate for 2021/22. Slippage of £25k has been identified so far this year from the Original Estimate.

Capital Financing Requirement

2020/21 Actual £m	2021/22 Original Est £m	2021/22 Revised Est £m
52.261	92.676	69.663

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. Borrowing can be made external or using the Council's own resources (internal borrowing). Due to slippage within the Capital programme in 2021/22, the revised estimate for CFR has reduced, however this will simultaneously increase in 2022/23.

Treasury Indicators

Operational Limit for External Debt

	2021/22 Original £m	2021/22 Estimate £m	2021/22 Actual £m
Borrowing	46.210	24.580	11.000
Other Long Term Liabilities	2.010	2.010	2.010
Total	48.220	26.590	13.010

This limit should be the focus of day to day treasury management. It is similar to the Authorised Limit but excludes the allowance for temporary cash flow borrowing as perceived as not necessary on a day to day basis. This limit acts as a warning but can be breached temporarily.

Authorised Limit for External Debt

	2021/22 Original £m	2021/22 Estimate £m	2021/22 Actual £m
Borrowing	66.210	44.580	11.000
Other Long Term Liabilities	2.010	2.010	2.010
Total	68.220	46.590	13.010

This is the main limit which is set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003. This includes the level of external borrowing and the financial liability in regards to the leisure centre.

Maturity structure of fixed rate borrowing during 2021/22

	Lower Limit %	Upper Limit %
Under 12 months	0	100
12 months to under 24 months	0	100
24 months to under 5 years	0	100
5 years to under 10 years	0	100
10 years and over	0	100

The Council has £9m external debt as at 30th September 2021. This debt is short term debt with maturity dates are within 1 year.

Actual External Debt

2021/22 Original £m	2021/22 Estimate £m	2021/22 Actual £m
48.220	26.590	13.010

This indicator shows the Council level of gross debt for the Council as at 30th September 2021.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

15 November 2021

Statement of Accounts 2020/21

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Ellie Dunnet, Head of Finance
Lead Officer and Report Author	Paul Holland, Senior Finance Manager (Client)
Classification	Public
Wards affected	All

Executive Summary

This report presents the updated Statement of Accounts, and requests that the Committee approves the 2020/21 financial statements, subject to the conclusion of the external audit and any further non-material changes that will be approved by the Director of Finance & Business Improvement. The external auditor's audit findings report will follow to be available for the meeting.

We understand that assuming no further significant issues are identified that the external auditor is intending to issue an unqualified audit opinion. A representative from the external audit team will be in attendance at the meeting to provide an update on their progress and to respond to any questions the Committee may have.

Purpose of Report

The Committee is asked to approve the updated 2020/21 statement of accounts (Appendix 1), and subject to any further non-material changes, note the external auditor's audit findings report (Appendix 2 – to follow) and approve the Letter of Representation (Appendix 3).

This report makes the following recommendations to this Committee:

1. That the Statement of Accounts attached at Appendix 1 is approved.
2. That delegation to approve any further non-material changes is given to the Director of Finance & Business Improvement in consultation with the committee chair.
3. That the external auditor's Audit Findings Report (Appendix 2 – to follow) is noted.
4. That the Letter of Representation attached at Appendix 3 is approved.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	15 November 2021

Statement of Accounts 2020/21

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Director of Finance and Business Improvement
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance and Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance and Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2021, and details the council's assets, liabilities and reserves at this date.	Director of Finance and Business Improvement
Staffing	No implications identified.	Director of Finance and Business Improvement
Legal	Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information. It is a function of the Audit, Governance and Standards Committee to review and approve the annual statement of accounts and to consider if appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.	Senior Lawyer Corporate Governance

Privacy and Data Protection	No implications identified.	Director of Finance and Business Improvement
Equalities	No implications identified.	Director of Finance and Business Improvement
Public Health	No implications identified.	Director of Finance and Business Improvement
Crime and Disorder	No implications identified.	
Procurement	No implications identified.	Director of Finance and Business Improvement
Biodiversity & Climate Change	The implications of this report on biodiversity and climate change have been considered and there are no direct implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 30 September 2021 in accordance with the amended Accounts & Audit Regulations.

2.2 The Statement of Accounts consists of:

Narrative Report – this summarises the Council’s performance over the financial year 2020/21 and highlights the most significant elements of the financial statements.

Comprehensive Income and Expenditure Statement (CIES) – shows the accounting position of the council, and whether operations have resulted in a net surplus or deficit. The accounting position includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March 2021 which have not been paid. Similarly, accrued income represents income due, but not yet received.

Movement in Reserves Statement – this is a financial statement which details the balances the council held in reserves at 31 March 2021, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

Balance Sheet – this can be seen as a 'snapshot' of the authority's financial position at a specific point in time, showing what it owns and owes at 31 March 2021.

Cash Flow Statement – sets out the authority's cash receipts and payments during the year, and analyses them into operating, investing and financing activities.

Accounting Policies and Supporting Notes – additional information provided to add context to the numbers presented in the main financial statements, and details judgements made by management in preparing this information.

Collection Fund Statement – this sets out income and expenditure in relation to Council Tax and Business Rates, and represents the position of the Council's role as a billing authority in collection revenue on behalf of other bodies.

- 2.3 The council's financial statements must comply with CIPFA's Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.
- 2.4 Due to the continuing impact of the Covid-19 pandemic on local authorities the Government amended the deadlines for the publication and approval of the accounts. The date for publication was amended from 31 May to 31 July, and the date for formal approval amended from 31 July to 30 September.
- 2.5 External audit work on the 2020/21 financial statements commenced during late August. We were advised by the external auditors that due to their significant workload it was likely that a significant percentage of local government audit opinions would not meet the statutory deadline of 30 September, including Maidstone. Failure to meet the deadline does not pose any implications to the council in terms of financial penalties but does present a risk of reputational damage and operational issues to the finance team in the event of prolonged delays. At the time of writing this report the audit was still in progress and we will continue to work closely with the auditors to ensure that their work on the 2020/21 financial statements is completed as soon as possible
- 2.6 As the audit is still in progress the external auditors are not currently in a position to issue their Audit Findings Report. This will be issued and be available for consideration at the meeting as Appendix 2 to this report.
- 2.7 At this stage we are anticipating that an unqualified audit opinion will be issued. As the audit is still in progress this report seeks approval for any

further non-material changes to the accounts to be delegated to the Director of Finance & Business Improvement.

- 2.8 In the course of preparing the 2020/21 financial statements, officers identified that previous capital expenditure on Brunswick Street and Union Street housing developments had been recognised as Assets Under Construction. Given that a proportion of this development was constructed for disposal, accounting guidelines set out in the Code suggest that this element of the spend should technically have been presented as inventory on the balance sheet. To adopt this accounting treatment would require a restatement of prior year figures. The draft accounts presented for audit did not reflect this accounting treatment on the basis that the guidance contains enough flexibility to go beyond a purely technical approach. The rationale for the adopted accounting treatment is as follows:
- a) Given that the disposal of these properties is not considered to be in the ordinary course of business for the council, it was considered that presenting this expenditure as inventory does not give an accurate portrayal of the substance of the transaction;
 - b) There is service potential in the assets constructed for disposal in terms of meeting the demand for housing and affordable housing therefore the portrayal of these assets as inventory would be misleading;
 - c) The development has been treated as a single project within the Council's capital programme, and, as set out above was not constructed purely for the purposes of disposal;
 - d) Restatement of the prior year figures could impair the transparency and understandability of the financial statements;
 - e) The substance of transactions via either approach within the 2020/21 accounts and beyond would be essentially the same in terms of their impact on the general fund balance, as there is a statutory override which enables the council to treat the expenditure as capital in either scenario, with the impact of any losses on disposal being reversed out through the capital adjustment account.
- 2.9 Officers raised this matter with the auditors at the beginning of the audit and this is currently subject to consideration by Grant Thornton's technical advisors. Given point e. above, officers are content to adopt either accounting treatment as statutory arrangements which apply to local authorities mean that the impact on the council's financial position will be the same in either case. We are currently awaiting Grant Thornton's final judgement on this matter.
- 2.10 Should any material changes be identified during the remainder of the audit then it may be necessary to bring a further updated Statement to the Committee for approval again in January 2022.
- 2.11 The updated version of the Statement proposed for approval at this meeting is attached at Appendix 1. This includes the draft Annual Governance Statement and the narrative report. At the last meeting of the Committee a question was raised regarding the presentation of the table showing 'Key Facts about Maidstone'. The presentation was reviewed, and it is considered that the figures used are the most appropriate based on current information.

- 2.12 The draft Statement of Accounts has previously been presented to the Committee to give Members the opportunity to review them and ask questions. At the time of writing this report the audit is still in progress. A number of minor amendments to the draft Statement that was presented to the Committee in September have been identified and these are incorporated in the updated Statement. None of these changes are significant and there have been no changes to the primary statements other than some presentational amendments. The remainder of the changes are to the notes to the accounts.

3. PENSIONS LIABILITY

- 3.1 At the meeting on 28 September, members of this committee expressed their concerns at the scale of the pensions liability and the significance of the year-on-year variance and requested further information regarding the actuary's assumptions on this.
- 3.2 This section of the report will seek to provide members with some additional detail regarding the accounting treatment of the pensions liability, and to clarify the arrangements for funding the deficit.

Accounting Requirements

- 3.3 Local authorities are required to account for employee benefits under International Accounting Standard (IAS) 19. This standard requires that retirement benefits are recognised at the point at which the council becomes committed to them, irrespective of when the benefits will be paid out.
- 3.4 The measurement of the net defined benefit liability disclosed on the council's balance sheet is based on an accounting estimate, using information provided by the actuary to the Kent Pension Fund, Barnett Waddingham. In estimating future cash flows, the actuary applies a series of assumptions which are reviewed and updated annually. Where these assumptions are impacted by economic conditions, they must reflect the expected market conditions at the balance sheet date, i.e. 31 March 2021. The key assumptions used by the actuary in producing the IAS19 estimates used in the 2020/21 financial statements are as follows:
- **Discount Rate** – future cash flows are based on an estimated past service liability duration of 20 years. Corporate bond yields are used to derive the discount rate which is applied to the employer's liabilities to calculate their future values. The rates used are those that match the duration of the employer's liability.
 - **Inflation Expectations** – the assumed inflation rate is also based on corporate bond yields and Bank of England inflation data. For 2020/21 the actuary has applied a downward adjustment of 0.25% to the Retail Price Index (RPI) assumption. As future pension increases are expected to be based on the Consumer Prices Index

(CPI) rather than RPI, a further assumption has been made about CPI which is that it will be 0.40% p.a. below RPI i.e. 2.80% p.a

- **Salary and pension increases** - Salaries are assumed to increase at 1.0% p.a. above CPI. This is consistent with the approach at the previous accounting date.
- **Demographic Assumptions** – assumed life expectancy from the age of 65 is set out in the table below:

Life expectancy from age 65	31 March 2021	31 March 2020
Retiring today:		
Males	21.6	21.8
Females	23.8	23.7
Retiring in 20 years		
Males	22.9	23.2
Females	25.1	25.2

Life expectancy estimations, Barnett Waddingham

These estimates have been adjusted to remove the disproportionate impact of 2020 mortality rates which were exceptional due to the coronavirus pandemic. The actuary's view is that placing too much weight on the 2020 mortality experience would not be appropriate given the abnormality of the 2020 data.

- **Expected return on assets** – the actuary has estimated the overall return on fund assets for the year to 31 March 2021 to be 30.02%. Maidstone Borough Council's share of these assets is £133m, which represents approximately 1.78% of fund assets.

- 3.5 Changes in the financial assumptions above, i.e., the assumed discount rate and inflation levels were the overarching factors which contributed to the significant increase in the pensions liability between 31 March 2020 and 31 March 2021. The balance sheet figures present the net position for Maidstone's share of the pension fund liability or asset, therefore the position does not clearly show that asset performance since 31 March 2020 has been strong, as the changes to the discount rate have resulted in an actuarial loss overall. Actuarial variations tend to give rise to significant year on year fluctuations in the balance sheet position due to the fact that they are heavily impacted by market conditions. The net defined liability at the balance sheet date over the last five years is shown in the table below for context:

31 March	2017	2018	2019	2020	2021
	£000	£000	£000	£000	£000
Balance sheet liability	81,534	77,618	71,481	73,677	89,783

Balance sheet position 31 March 2017 – 31 March

- 3.6 It should be noted that the disclosures in the financial statements under IAS 19 are accounting adjustments which are made to enable the Council's annual accounts to comply with International Financial Reporting Standards (IFRS) and do not represent the amount chargeable to the General Fund. The liability shown in the balance sheet is an estimate based on assumptions and would only become payable in the event that the Council were to cease operating as a going concern. This liability is an accounting entry which is offset by a corresponding entry to the pensions reserve.

Funding Arrangements

- 3.7 Annual employer contribution rates are determined in a triennial valuation undertaken by the actuary, which is a separate exercise to the annual IAS19 report. The last valuation as at 31 March 2019 set the employer contribution rates for the period from 1 April 2020 to 31 March 2023.
- 3.8 This valuation determined that Maidstone's funding deficit was £15.4m at 31 March 2019, relating to a funding level of 87.9%, compared to a funding deficit of £21m at 31 March 2016, relating to a funding level of 80.5%.
- 3.9 Contribution rates payable by employers consist of two elements, the primary rate and the secondary rate. The primary rate covers the cost of benefit accrual and the secondary rate is the adjustment required to recover the funding deficit. Secondary contribution rates are based on the assumption that the deficit will be repaid over a period of 16 years. Annual contribution rates for 2020 to 2023 are shown in the table below:

Year ending	31 March 2020	31 March 2021	31 March 2022	31 March 2023
Primary rate (of pay p.a.)	14.1%	17.6%	17.6%	17.6%
Secondary rate	£1.517m	£1.090m	£1.130m	£1.170m
Total estimated	£3.416m	£3.546m	£3.676m	£3.808m
Increase	-	3.8%	3.7%	3.6%

- 3.10 Full budget provision has been made to cover these contributions. The next valuation will take place as at 31 March 2022 and will set the rate of employer contributions from 1 April 2023 to 31 March 2026. The range of variables mean that it is difficult to forecast the impact of the results of this valuation, however, an allowance for annual increases of £0.15m has been made in the strategic revenue projections from 2023/24 onwards in order to offset the risk of future rises in contribution rates.

4. LETTER OF REPRESENTATION

- 4.1 The Letter of Representation attached at Appendix 3 is written from the Council to the external auditor and will be signed by the Director of Finance and Business Improvement and the Audit, Governance and Standards Committee Chair.
- 4.2 This is provided for the purpose of expressing an opinion as to whether the

Statement of Accounts gives a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

- 4.3 The letter confirms that the Council has fulfilled its responsibilities and provided the external auditor with access to all information of relevance to the financial statements audit including records, documentation and other matters. It also confirms that the Council is satisfied that any significant assumptions in the accounts have been made using sound judgements and are made in accordance with the accounting code of practice.
- 4.4 The letter also confirms that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. The appropriateness of this statement is evidenced by the fact that all services have full revenue budget provision for 2021/22 onwards and the capital programme, asset management plan and medium-term financial strategy for 2021/22 onwards consider only service efficiencies and growth in corporate or service objectives.

5. AVAILABLE OPTIONS

- 5.1 The recommendation being made to the Committee is to approve the Statement of Accounts for 2020/21, taking into consideration the work done to date by the external auditor.
- 5.2 If the Committee choose not to approve the Statement of Accounts, this would result in the Council failing to meet its statutory responsibilities under the Accounts and Audit Regulations.

6. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 6.1 The formal approval of the Statement of Accounts is a statutory requirement. Whilst the external audit is not yet complete this Committee can approve the Statement subject to any further non-material changes being approved under delegation by the Director of Finance & Business Improvement.
- 6.2 On this basis, it is considered appropriate for the Committee to approve the Statement of Accounts for 2020/21.

7. RISK

- 7.1 Failure to meet the statutory deadline for production and audit of the annual accounts would result in this being highlighted in Public Sector Audit Appointments Limited's report on the results of auditors' work. The impact of this risk materialising would have largely reputational repercussions for the Council, and would limit the Council's capacity to demonstrate accountability and value for money in its use of public funds. This risk has

been considered with reference to the Council's risk management framework, and is considered to be within acceptable levels.

8. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 8.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this were published on the Council's website and the statutory period ended on 10 September. One enquiry was received regarding Covid Grants and rent deferrals, and this was dealt with.
-

9. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 9.1 The external auditor is required to issue the audit opinion.
-

10. REPORT APPENDICES

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

- Appendix 1: Statement of Accounts 2020/21
 - Appendix 2: External Auditor's Audit Findings Report (to follow)
 - Appendix 3: Letter of Representation
-

11. BACKGROUND PAPERS

None

NARRATIVE REPORT

for the year ending
31st March 2021



Overview

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

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

This narrative report sets out:

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



Key Facts about Maidstone

POPULATION OF MAIDSTONE BOROUGH

2020	173,100
2019	171,800

GROSS VALUE ADDED PER HEAD

2019	£24,456
2018	£23,708

NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH

2019	8,275
2018	7,990

BUSINESS RATES GENERATED

2020/21	£31.7 million*
2019/20	£60.3 million

*net of Covid-19 Business Rates relief

WEEKLY PAY FOR A FULL-TIME WORKER

2020	£605.50
2019	£579.20

COUNCIL GROSS REVENUE

2020/21	£101.0 million
2019/20	£96.6 million

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

2020/21	91.5%
2014/15	82.3%

COUNCIL SURPLUS/(DEFICIT) AGAINST BUDGET

2020/21	5.7%
2019/20	-1.2%

COUNCIL INVESTMENT IN LONG TERM ASSETS

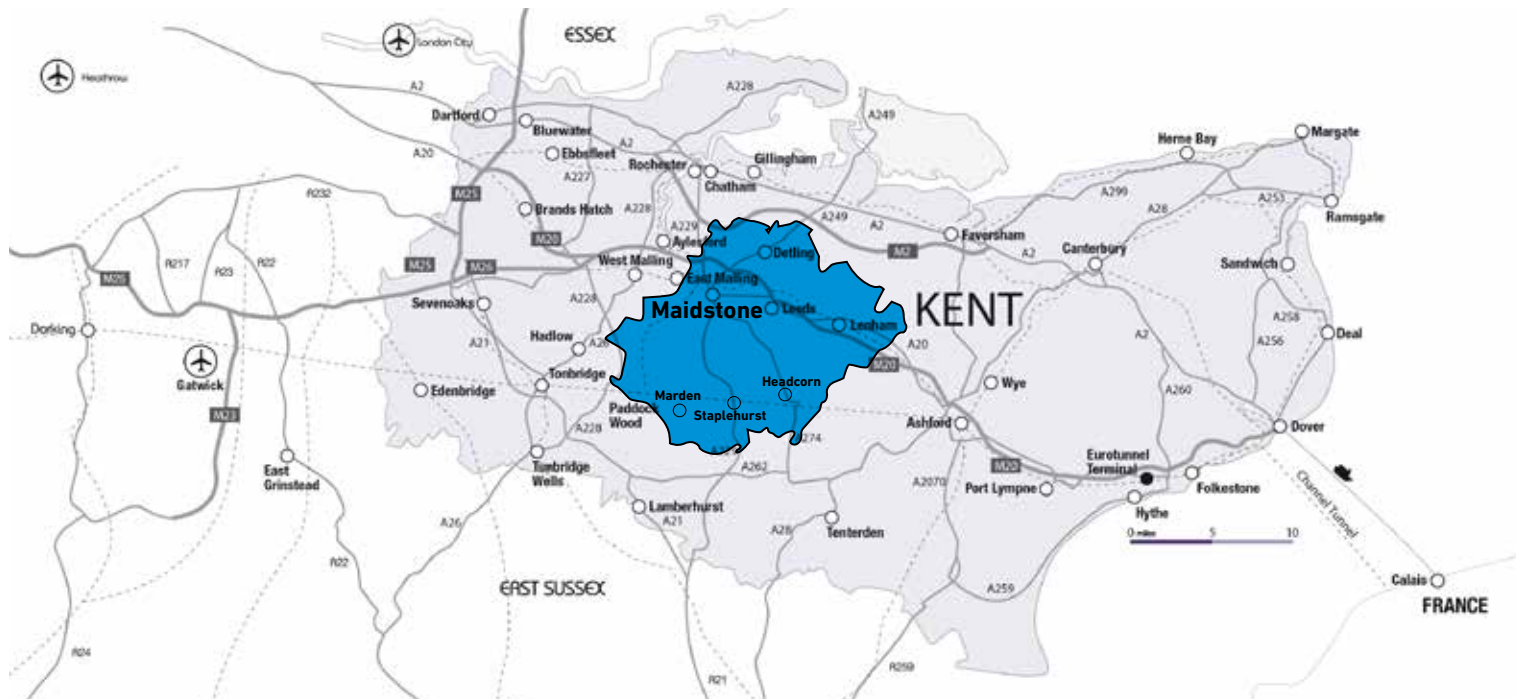
2020/21	£163.5 million
2019/20	£158.6 million

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

2020/21	£21 million
2019/20	£17.2 million

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

About Maidstone



Maidstone is the largest borough council district in Kent, with an estimated 175,000 residents in mid-2020. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area there are local service 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, who are elected by thirds for terms of four years, such that elections are held in three years out of every four. The Borough elections that were due to be held in May 2020 were postponed for a year owing to the Covid-19 pandemic. Following these delayed elections in May 2021, the political composition of the Council is:

Conservative	29
Liberal Democrat	17
Independent	5
Labour	4

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

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

Maidstone's Strategic Plan and Medium Term Financial Strategy

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

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

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

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

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

Key achievements

EMBRACING GROWTH AND ENABLING INFRASTRUCTURE

- **Garden Community**

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

- **Innovation Centre**

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

HOMES AND COMMUNITIES

- **Community Hub**

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

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

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

- **Homelessness Initiatives**

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

- **Trinity Place**

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

- **Completion of Brunswick Street and Union Street housing developments**

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

SAFE, CLEAN AND GREEN

- **Mote Park Dam Works**

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

A THRIVING PLACE

- **Lockmeadow Refurbishment**

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


















- **Lockmeadow Refurbishment**

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


















KEY PERFORMANCE INDICATORS

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

PRIORITY: A Thriving Place

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

PRIORITY: Clean, Safe and Green

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

PRIORITY:

Homes & Communities

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

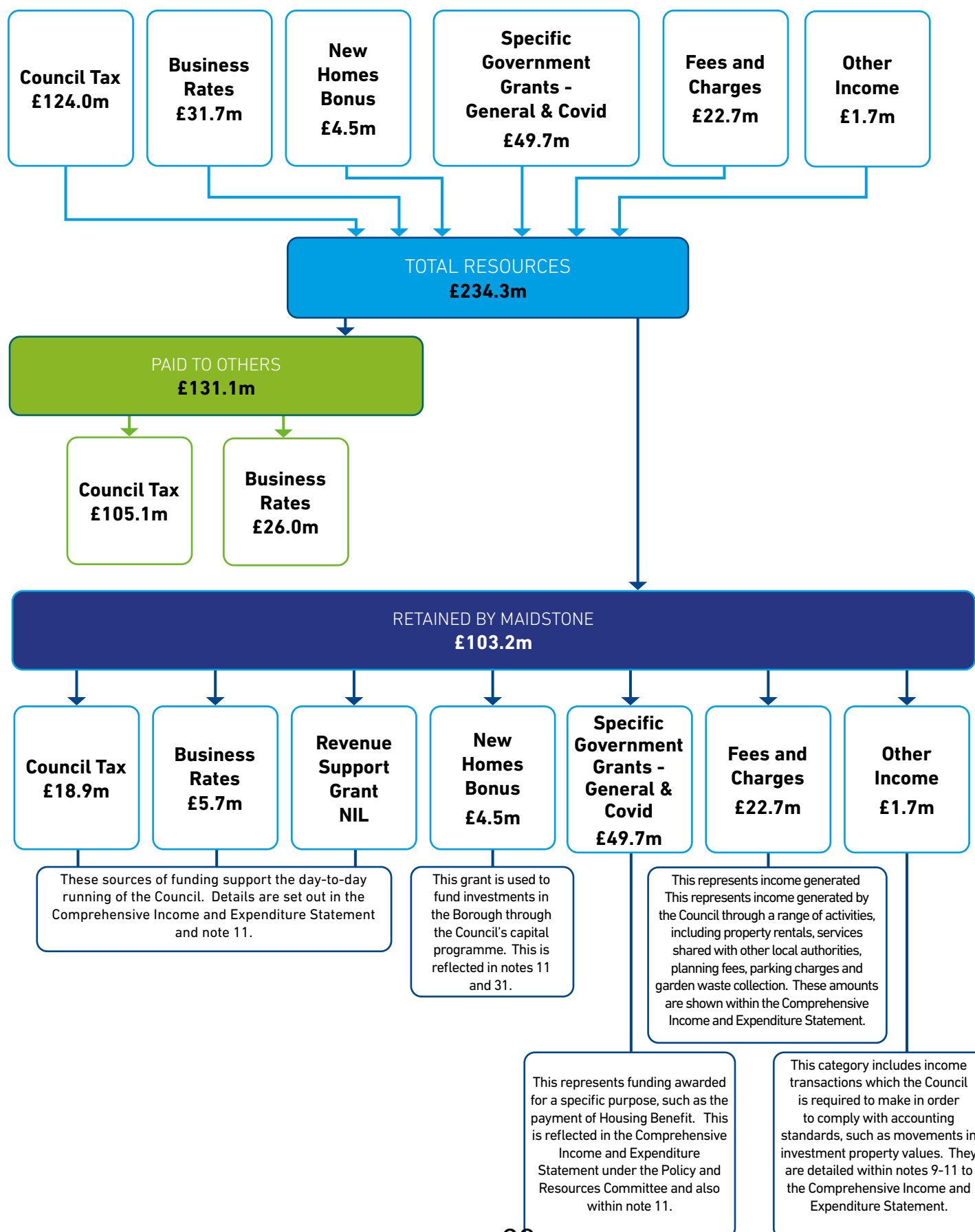
PRIORITY:

Embracing Growth & Enabling Infrastructure

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

Financial Performance

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

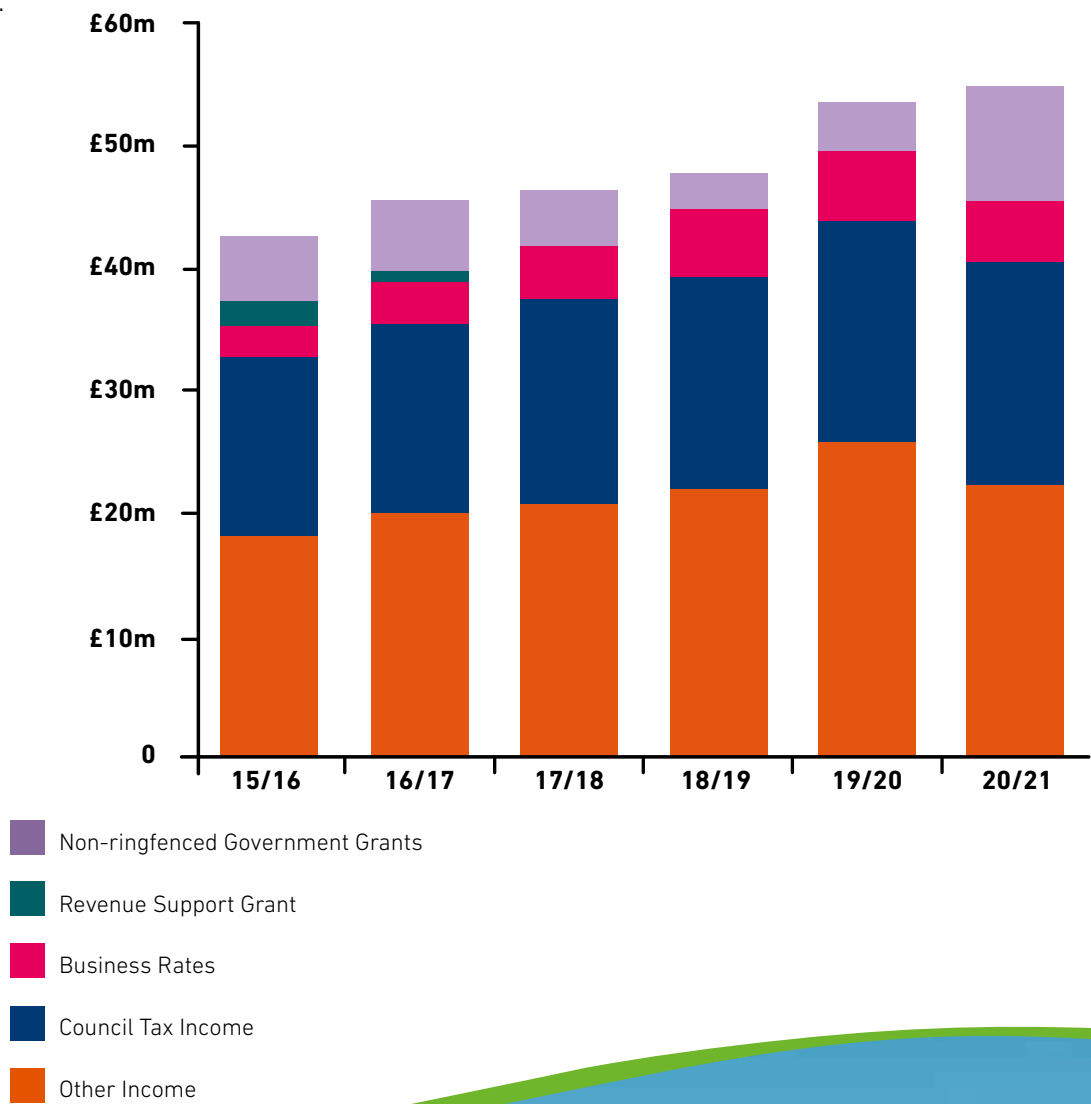


Expenditure

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

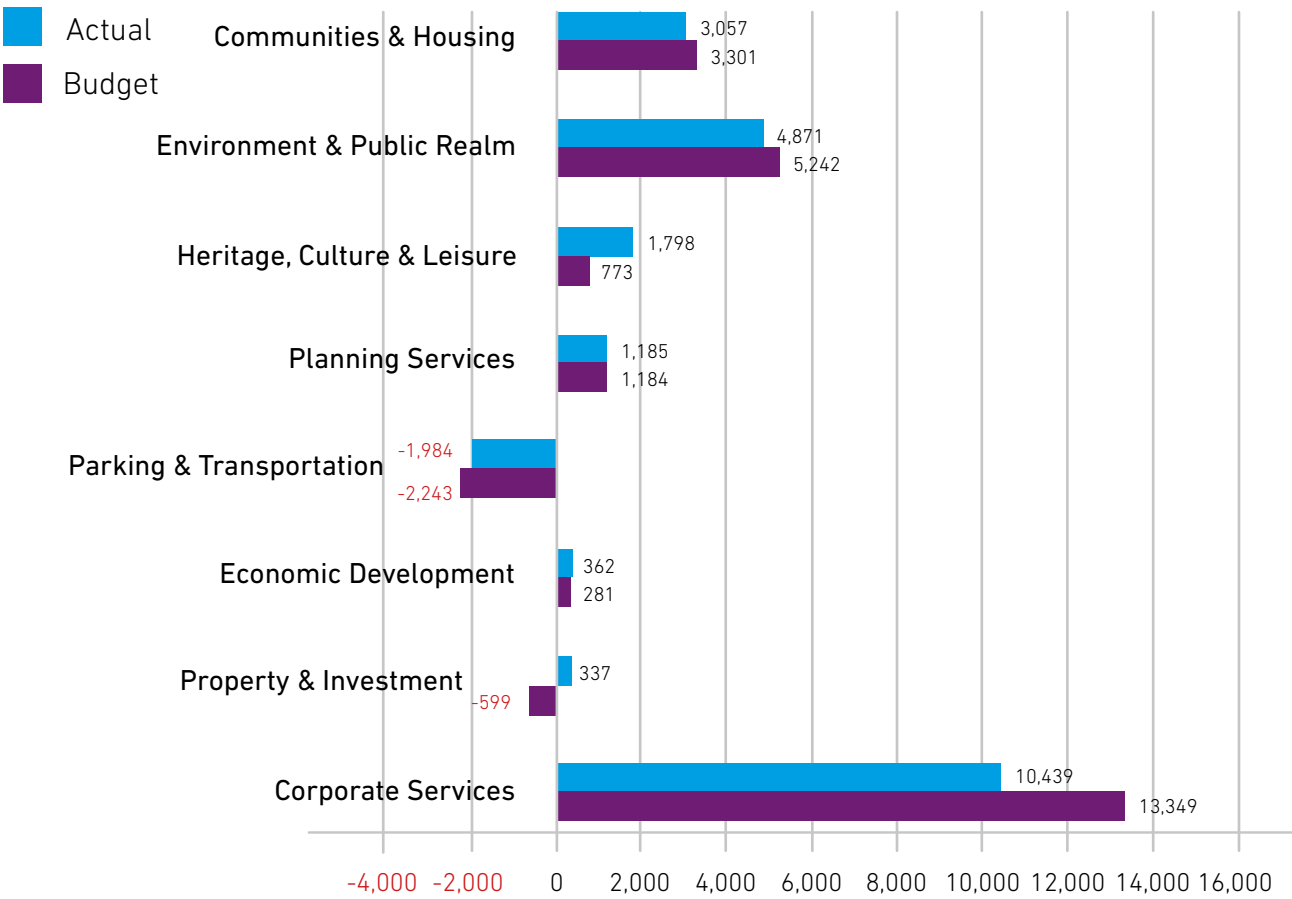
In a number of areas, the Council incurred additional expenditure in responding to the Covid-19 pandemic. At the same time, income on which the Council usually relies, particularly fees and charges for customers, was badly affected by the pandemic. However, the additional expenditure and reduction income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

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



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

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



The Council’s income and expenditure is 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 reduced from £61.8 million to £46.3 million, mainly because of an increase in pension liabilities.

2019/20 £000		2020/21 £000
124,200	Property, Plant & Equipment	124,418
10,393	Heritage Assets	10,433
23,270	Investment Properties	25,697
715	Other Long Term Assets	2,958
27,992	Money owed to the Council	36,761
-47,714	Money owed by the Council	-61,432
-77,098	Long Term Liabilities	-92,919
61,758	Net Assets	45,915
17,193	Usable Reserves	33,691
44,565	Unusable Reserves	12,224
61,758	Total Reserves	45,915

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

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

Balance Sheet (continued)

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

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

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

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

Capital Expenditure

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

These projects included:

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

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

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



RISK MANAGEMENT

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

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

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



FUTURE PLANS

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

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

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



STATEMENT OF ACCOUNTS 2020/21

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Council, that officer is the Director of Finance & Business Improvement.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Finance & Business Improvement's Responsibilities

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

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

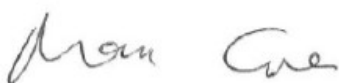
- Selected suitable accounting policies and applied them consistently.
- Made judgements and estimates that were reasonable and prudent.
- Complied with the Code.

The Director of Finance & Business Improvement has also:

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

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

Signed:



Mark Green, Director of Finance & Business Improvement

Date: 5th November 2021

PRIMARY STATEMENTS**COMPREHENSIVE INCOME & EXPENDITURE STATEMENT****For the years ending 31st March 2020 & 2021**

	2019/20			2020/21		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Committee (See note below)	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
53,508	(45,833)	7,675	Policy & Resources	48,777	(46,034)	2,743
21,374	(11,808)	9,566	Communities, Housing & Environment	21,338	(9,898)	11,439
6,279	(2,280)	3,999	Economic, Regeneration & Leisure	12,044	(6,629)	5,415
8,112	(6,816)	1,296	Strategic Planning & Infrastructure	8,589	(4,991)	3,598
89,273	(66,738)	22,535	Cost Of Services	90,748	(67,553)	23,195
		1,698	Other Operating Expenditure (Note 9)	4,504		4,504
		(666)	Financing and Investment Income and Expenditure (Note 10)	3,785	(36)	3,749
		(27,747)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)		(33,064)	(33,064)
		(4,179)	(Surplus) or Deficit on Provision of Services			(1,615)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(5,567)	(Surplus) or deficit on revaluation of property, plant & equipment assets			4,231
		(2,068)	Remeasurement of the Net Defined Benefit Liability			13,225
		(7,636)	Other Comprehensive Income and Expenditure			17,456
		(11,814)	Total Comprehensive Income and Expenditure			15,841

MOVEMENT IN RESERVES STATEMENT**For the years ending 31st March 2020 & 2021**

Current Year	General Fund Balance Unallocated £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2020	8,821	7,820	552	17,193	44,565	61,758
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	1,615	0	0	1,615	(17,456)	(15,841)
Adjustments between accounting basis & funding basis under regulation (Note 6)	15,074	(90)	(93)	14,891	(14,893)	(2)
Movements between Reserves	(15,235)	15,225	0	(10)	10	(0)
Increase or Decrease in 2020/21	1,454	15,135	(93)	16,496	(32,339)	(15,843)
Balance at 31st March 2021	10,275	22,955	459	33,691	12,224	45,915

Comparative Year	General Fund Balance £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
Balance at 1st April 2019	9,231	5,828	598	15,657	34,287	49,944
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	4,179		0	4,179	7,635	11,814
Adjustments between accounting basis & funding basis under regulation (Note 6)	(2,286)		(49)	(2,335)	2,335	0
Movements between Reserves	(2,302)	1,992		(310)	310	(0)
Increase or Decrease in 2019/20	(409)	1,992	(49)	1,537	10,280	11,814
Balance at 31st March 2020	8,821	7,820	549	17,193	44,565	61,758

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

BALANCE SHEET**As at 31st March 2020 & 2021**

30th March 2020 £000	Notes	31st March 2021 £000
124,200	Property, Plant & Equipment	124,418
23,270	Investment Property	25,697
10,393	Heritage Assets	10,433
654	Intangible Assets	818
62	Long Term Debtors	2,141
158,579	Long Term Assets	163,507
0	Short Term Investments	2,000
0	Short Term Assets Held for Sale	5,655
166	Inventories	173
17,138	Short Term Debtors	17,913
10,687	Cash & Cash Equivalents	10,783
27,991	Current Assets	36,524
11,000	Short Term Borrowing	11,000
29,377	Short Term Creditors	41,503
1,164	Provisions	1,511
517	Deferred Liability	537
1,959	Capital Grants Receipts in Advance	2,706
44,018	Current Liabilities	57,257
1,400	Provisions	1,652
2,020	Deferred Liability	1,483
3,697	Capital Grants Receipts in Advance	3,938
73,677	Net Pension Liability	89,783
80,795	Long Term Liabilities	96,857
61,758	Net Assets	45,915
17,193	Usable Reserves	33,691
44,565	Unusable Reserves	12,224
61,758	Total Reserves	45,915

CASHFLOW STATEMENT

2019/20 £000		Notes	2020/21 £000
(4,179)	Net (surplus) or deficit on the provision of services		(1,615)
(10,329)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(21,942)
6,372	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	36	7,753
(8,136)	Net cash flows from Operating activities		
26,800	Investing Activities	37	19,614
(18,168)	Financing Activities	38	(3,906)
496	Net increase or decrease in cash & cash equivalents		(96)
(11,184)	Cash & cash equivalents at the beginning of the reporting period		(10,687)
(10,687)	Cash & cash equivalents at the end of the reporting period		(10,783)

NOTES TO THE ACCOUNTS

1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31st March 2020 & 2021

2019/20			2020/21		
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
11,603	(3,927)	7,676 Policy & Resources	10,300	(7,557)	2,743
8,943	623	9,566 Communities, Housing & Environment	8,514	2,925	11,439
1,889	2,109	3,999 Economic, Regeneration & Leisure	2,772	2,643	5,415
(473)	1,769	1,296 Strategic Planning & Infrastructure	1,251	2,347	3,598
21,962	575	22,535 Net Cost Of Services	22,837	358	23,196
(28,430)	1,713	(26,717) Other Income & Expenditure	(9,379)	(15,432)	(24,811)
(6,470)	2,288	(4,182) (Surplus) or Deficit	13,458	(15,074)	(1,616)
		15,056 Opening General Fund Balance			16,641
		2,597 Less/Plus (Surplus) or Deficit on General Fund Balance in Year			(14,974)
		16,641 Closing General Fund Balance at 31st March			33,231

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

NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

Adjustments between Funding & Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £000	Net Change for Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Policy & Resources	(2,172)	1,687	(7,072)	(7,557)
Communities, Housing & Environment	445		2,481	2,925
Economic, Regeneration & Leisure	1,315		1,328	2,643
Strategic Planning & Infrastructure	703		1,644	2,347
Net Cost of Services	291	1,687	(1,620)	358
Other income and expenditure from the Expenditure & Funding Analysis	(291)	(1,687)	(13,453)	(15,432)
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	(0)	0	(15,074)	(15,075)

Adjustments between Funding & Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £000	Net Change for Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Policy & Resources	1,481	1,673	(7,081)	(3,927)
Communities, Housing & Environment	(1,877)		2,501	624
Economic, Regeneration & Leisure	1,842		267	2,109
Strategic Planning & Infrastructure	105		1,664	1,770
Net Cost of Services	1,551	1,673	(2,649)	575
Other income and expenditure from the Expenditure & Funding Analysis	(1,551)	(1,673)	4,937	1,713
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	2,288	2,288

Note i – Adjustments for Capital Purposes

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

Note ii – Net Charge for Pensions Adjustments

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

Note iii – Other Differences

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

EXPENDITURE AND INCOME ANALYSED BY NATURE

	2019/20	2020/21
	£000	£000
Expenditure		
Employee Benefit Expenses	24,354	22,762
Other Services Expenses	84,723	94,876
Depreciation, Amortisation, Impairment	4,294	5,214
Interest Payments	135	153
Precepts & Levies	1,936	2,129
Total Expenditure	115,441	125,134
Income		
Fees, Charges & Other Service Income	(27,239)	(26,610)
Interest & Investment Income	(217)	(36)
Income from Council Tax & NDR	(43,821)	(43,191)
Government Grants & Contributions	(45,364)	(54,611)
Gain/(Loss) on the Disposal of Assets	(2,980)	(2,298)
Total Income	(119,620)	(126,747)
(Surplus) or Deficit on the Provision of Services	(4,179)	(1,614)

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

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

2 - ACCOUNTING POLICIES

General Principles

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

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

- Going concern
- Primacy of legislative requirements

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

Revenue Recognition

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services

are transferred to the service recipient in accordance with the performance obligations in the contract.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals are recognised where the value exceeds £10,000.

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

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

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

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

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

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

Overheads & Support Services

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

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

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

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

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

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

Value Added Tax

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

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

ROUNDING

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

3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- A comprehensive review of all property leases was undertaken at the end of 2017/18 to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.

- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.
- As a wholly owned subsidiary of the council, Maidstone Property Holdings Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However, the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.
- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor Park. The Council recharges the cost of providing these services to Cobtree Manor Park but does not seek to generate a surplus from the arrangement.
- In the latter part of the year 2019/20 the Covid-19 pandemic had a profound impact across service areas, businesses and the wider community testing the Council's business continuity planning arrangements. It will, in all likelihood, also have a significant adverse impact on the Council's finances and, in turn, reserve balances. This is discussed in more detail in the Narrative Report.
There will be numerous issues that will impact on local authorities as a result of the Covid-19 pandemic. Specific areas within the financial statements include:

- Valuation uncertainty in respect of property, plant and equipment, investment property and heritage assets.
- Pension Fund Assets and Liabilities – The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Further information relating to the pension scheme can be found in Note 32.
- Collectability of debt – It is likely that Covid-19 containment measures will result in an adverse impact on the Council's ability to collect debt. The impairment allowances for doubtful debts have been reviewed and increased in light of this risk. Further information can be found in Note 23.

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 31st March 2021 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Property valuations	<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 £8.6m. 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>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Fair Value of Investment Property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	<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 £2.6m. This would not impact on the general fund balance.</p>
Depreciation	Assets are depreciated over useful lives which are based on the level of repairs and maintenance that will be incurred in relation to individual assets. If current spending on repairs and maintenance were to be reduced, this could affect a change to useful lives assigned to the assets.	Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. Furthermore, if the useful life of assets is reduced the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.4m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments.	<ul style="list-style-type: none"> • A 0.1% increase in the discount rate will reduce the net pension liability by £4.4m; • A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £3.9m;

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The ongoing impact of the Covid19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2021 are difficult to value according to preferred accounting policy.	<ul style="list-style-type: none"> • An increase of one year in longevity will increase the net pension liability by £10.5m.
Arrears	At 31st March 2021 the Council had a balance of sundry debtors for £15m. A review of significant balances suggested that an impairment allowance for bad debts of £5.3m was appropriate. The calculation of this estimate is specific to the different classes of debtor but is generally based on the age of the debt and likelihood of recoverability. Uncertainty remains as to whether or not such an allowance will be sufficient to cover non-payment of these debts.	If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2.6m to be set aside as an allowance.
Non-Domestic Rates Appeals	The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £6.4m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £2.5m is reflected on the balance sheet. This is deemed to be appropriate as it is	If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.636m would be required overall, and the council's share of the provision would increase by £0.254m.

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	<p>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>	
Brexit	The UK stopped being a member of the European Union (EU) at 23:00 GMT on 31 January 2020. However, significant uncertainty remains concerning the UK's future relationship with the EU. Current assumptions underlying asset valuations and pensions liability assume no significant impact from Brexit.	Depending on the circumstances of Britain's departure from the EU, it is possible that asset values may fall and/or that assumptions underlying the assessment of pensions liabilities may alter.

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 2021/22 financial statements in respect of accounting changes that are introduced in the 2021/22 Code are:

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

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

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

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.

2020/21	Usable Reserves	
	General Fund balance £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	2,881	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	13,069	
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	9,229	
Total Adjustments to Revenue Resources	25,174	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,254	1,720
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(517)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,801)	
Total Adjustments between Revenue and Capital Resources	(4,064)	1,720
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure		(1,813)
Application of capital grants to finance capital expenditure	(6,036)	
Total Adjustments to Capital Resources	(6,036)	(1,813)
Total Adjustments	15,074	(93)

2019/20 Comparative Figures	Usable Reserves	
	General Fund balance £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	4,264	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(910)	
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,316	
Total Adjustments to Revenue Resources	8,665	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,384)	1,963
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(520)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(4,636)	
Total Adjustments between Revenue and Capital Resources	(6,540)	1,963
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure		(2,012)
Application of capital grants to finance capital expenditure	(4,411)	
Total Adjustments to Capital Resources	(4,411)	(2,012)
Total Adjustments	(2,286)	(49)

Accounting Policy – Charges to Revenue for Non-Current Assets

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

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

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

7 – EARMARKED RESERVES

Within the General Fund balance of £33.624m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

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

Description of Earmarked Reserves:

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

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

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

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

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

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

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

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

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

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

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

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

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

Accounting Policy - Reserves

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

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

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

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 the figure used for the purposes of the annual external audit of the Statement of Accounts. That figure is £1.7m for 2020/21.

9 - OTHER OPERATING EXPENDITURE

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

	2019/20	2020/21
	£000	£000
Parish Council precepts	1,936	2,130
Levies	116	120
(Gains)/losses on the disposal of non-current assets	(355)	2,254
	1,698	4,504

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.

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

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.

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

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

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

Accounting Policy – Government Grants & Contributions

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

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

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

specified, or future economic benefits or service potential must be returned to the transferor.

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

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

12 - MEMBERS' ALLOWANCES

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

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

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

13 – OFFICERS REMUNERATION

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

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

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

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

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

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

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

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

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

Exit Packages

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

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

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.

	2019/20 £000	2020/21 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	46	53
Rebate from Public Sector Audit Appointments Ltd.	(5)	0
Fees payable for the certification of grant claims and returns during the year	22	44
Total	63	97

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:

	2019/20	2020/21
	£000	£000
Balance at start of year:	4,723	5,655
Grants Received	5,439	7,130
Funding used for capital expenditure	(4,507)	(6,141)
Balance at end of year:	5,655	6,644

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31st March 2022) £2.706m and long-term (expected to be used after 1st April 2023) £3.938m.

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

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

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 2020/21 is shown in Note 12.

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

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

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

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

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

Movements in 2020/21	Infrastructure Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuations								
At 1st April 2020	5,073	94,621	16,956	1,751	4,460	3,701	16,417	142,981
Additions	1,149	5,738	489	273	55	298	15,545	23,547
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(5,130)	0	0	0	0	0	(5,130)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(4,301)	0	0	0	0	0	(4,301)
Derecognition of assets	0	(79)	(62)	(100)	(53)	0	0	(294)
Other movements in cost or valuation	0	250	(305)	55	0	0	(10,329)	(10,329)
At 31st March 2021	6,222	91,099	17,078	1,979	4,462	3,999	21,633	146,474
Accumulated Depreciation & Impairment								
At 1st April 2020	(3,638)	(3,868)	(7,137)	(785)	(3,350)	0	0	(18,779)
Depreciation charge	(291)	(3,033)	(1,021)	(350)	(397)	0	0	(5,092)
Depreciation written out to the Revaluation Reserve	0	1,620	0	0	0	0	0	1,620
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition of assets	0	0	62	81	53	0	0	196
At 31st March 2021	(3,929)	(5,281)	(8,096)	(1,054)	(3,694)	0	0	(22,055)
Net Book Value								
At 31st March 2021	2,293	85,818	8,982	925	768	3,999	21,633	124,418
At 31st March 2020	1,435	90,746	9,779	959	1,161	3,701	16,419	124,200

Movements in 2019/20								
	Infrastructu re Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations								
At 1st April 2019	4,352	67,137	13,898	1,544	4,825	3,436	8,545	103,739
Additions	517	23,681	1,128	869	92	265	11,198	37,750
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	3,241	0	0	0	0	0	3,241
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(261)	0	0	0	0	0	(261)
Rerecognition of Assets	0	(351)	(857)	(662)	(458)	0	(16)	(2,344)
Other movements in cost or valuation	204	1,172	2,787	0	0	0	(3,308)	855
At 31st March 2020	5,073	94,619	16,956	1,751	4,459	3,701	16,419	142,980
Accumulated Depreciation & Impairment								
At 1st April 2019	(3,375)	(4,007)	(6,889)	(1,106)	(3,269)	0	0	(18,646)
Depreciation charge	(263)	(2,208)	(985)	(296)	(407)	0	0	(4,159)
Depreciation written out to the Revaluation Reserve	0	2,343	0	0	0	0	0	2,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition of Assets	0	0	697	609	378	0	0	1,684
At 31st March 2020	(3,638)	(3,872)	(7,177)	(793)	(3,298)	0	0	(18,778)
Net Book Value								
At 31st March 2020	1,435	90,746	9,779	959	1,161	3,701	16,419	124,200
At 31st March 2019	979	63,125	7,010	439	1,556	3,433	8,545	85,088

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

Analysis of Land & Buildings Movements 2020/21	Car Parks £000	Cemetery & Crematorium £000	Depots, Workshops & Toolsheds £000	Entertainment Complex £000	Halls & Pavilions £000	Housing £000	Land £000	Leisure Centres & Pools £000	Markets £000	Museums & Galleries £000	Parks & Open Spaces £000	Public Conveniences £000	Residential / Commercial £000	Theatres £000	Town Hall £000	Total Land & Buildings £000
Cost or Valuations																
At 1st April 2020	16,274	2,166	1,960	22,500	3,469	12,228	285	8,056	1,720	12,465	748	1,680	4,961	4,960	1,150	94,621
Additions		3		4,150	4	1,514	63								4	5,738
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,352)			(1,644)		9		(165)	(605)	(1,165)	970	(179)				(5,130)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(595)			(3,574)		(131)										(4,301)
Derecognition of Assets				(79)												(79)
Other movements in cost or valuation											250					250
At 31st March 2021	13,327	2,169	1,960	21,353	3,473	13,620	347	7,891	1,115	11,300	1,968	1,501	4,961	4,960	1,154	91,099
Accumulated Depreciation & Impairment																
At 1st April 2020	12	(23)	17	(150)	(788)	(1,499)	(39)	(51)	(15)	(78)	(93)	(405)	(720)	(29)	(7)	(3,868)
Depreciation charge		(38)	(38)	(450)	(361)	(1,076)		(149)	(27)	(236)	(56)	(101)	(392)	(90)	(18)	(3,033)
Depreciation written out to the Revaluation Reserve				600				199		315		506				1,620
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																0
Other movements in cost or valuation																0
At 31st March 2021	12	(61)	(21)	0	(1,149)	(2,575)	(39)	(2)	(42)	1	(149)	(0)	(1,112)	(119)	(25)	(5,281)
Net Book Value																
At 31st March 2021	13,339	2,108	1,940	21,353	2,324	11,045	308	7,889	1,073	11,301	1,819	1,501	3,849	4,841	1,129	85,818
At 31st March 2020	16,286	2,143	1,978	22,350	2,681	10,721	246	8,005	1,705	12,387	655	1,275	4,240	4,931	1,143	90,751

Analysis of Land & Buildings Movements 2019/20	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Entertainment Complex	Halls & Pavilions	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations																
At 1st April 2019	15,789	2,182	1,855	0	3,435	9,174	197	8,561	1,059	12,303	748	1,680	4,808	4,285	1,057	67,133
Additions		101	8	20,288	34	3,051		36		93			17	26	26	23,681
Revaluation increases/(decreases) recognised in the Revaluation Reserve	775	(81)		1,077		385	88	(541)	661	70			99	709	0	3,241
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(36)	97			(377)				(1)					66	(252)
Derecognition of Assets	(290)													(60)		(350)
Other movements in cost or valuation				1,135									37			1,172
At 31st March 2020	16,274	2,166	1,960	22,500	3,469	12,232	285	8,056	1,720	12,465	748	1,680	4,961	4,960	1,150	94,625
Accumulated Depreciation & Impairment																
At 1st April 2019	12	(269)	(75)		(427)	(1,271)	(39)	(68)	(63)	(679)	(18)	(304)	(878)	118	(49)	(4,010)
Depreciation charge		(20)	(13)	(150)	(361)	(966)		(50)	(13)	(79)	(75)	(101)	(345)	(30)	(6)	(2,208)
Depreciation written out to the Revaluation Reserve		266	106			730		66	61	680			503	(117)	48	2,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																0
Other movements in cost or valuation																0
At 31st March 2020	12	(23)	17	(150)	(788)	(1,506)	(39)	(51)	(15)	(78)	(93)	(405)	(720)	(29)	(7)	(3,875)
Net Book Value																
At 31st March 2020	16,286	2,143	1,978	22,350	2,681	10,726	246	8,005	1,705	12,387	655	1,275	4,240	4,931	1,143	90,751
At 31st March 2019	15,801	1,913	1,779	0	3,009	7,903	158	8,492	996	11,623	730	1,376	3,930	4,403	1,008	63,126

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

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

Capital Commitments

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

Project	£000
Union Street housing development *	108
Brunswick Street housing development *	147
Springfield Mill housing development	3,060
Mall Bus Station *	936
Kent Medical Campus - Innovation Centre *	1,637
Mote Park Visitor Centre	2,590

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

Revaluations

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

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

	Infrastructure Assets £000	Community Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Assets Under Construction £000	Total £000
Carried at historical cost	6,222	3,999	422	17,078	1,979	4,462	21,632	55,794
Valued at current value as at:								
31st March 2017			0					0
31st March 2018			9,218					9,218
31st March 2019			4,225					4,225
31st March 2020			20,208					20,208
31st March 2021			57,026					57,026
Total Cost or Valuation	6,222	3,999	91,099	17,078	1,979	4,462	21,632	146,473

Accounting Policy – Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer. The useful lives range from 4 to 50 years.
- Vehicles, Plant, Furniture & Equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.
- Infrastructure - straight-line allocation over 20 years.

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

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:

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

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

	2019/20 £000	2020/21 £000
Balance at start of the year	23,014	23,270
Additions	14	2,027
Transfers	(854)	
Net gains/losses from fair value adjustments	1,096	400
Balance at end of year	23,270	25,697

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

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

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

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

Accounting Policy – Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted

by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Accounting Policy – Fair Value Measurement

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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 2020	9,090	480	515	308	10,393
Additions				40	40
Disposals					0
31st March 2021	9,090	480	515	348	10,433
1st April 2019	9,090	480	515	308	10,393
Additions					0
Disposals					0
31st March 2020	9,090	480	515	308	10,393

Museum Exhibits

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

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

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

War Memorials

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

Statues and Sculptures

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

Other Items

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

Listed Buildings and Other Heritage Assets

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

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

Accounting Policy – Heritage Assets

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

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

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

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

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

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

Income & Expense

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

Expected Credit Loss Model

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

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

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

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

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

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

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

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

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 2020/21

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

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

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other

local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

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

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

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

Liquidity Risk

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

Refinancing and Maturity Risk

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

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

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

Market Risk – Interest Rate Risk

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

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

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

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

The risk exposure is summarised in the table below:

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

Foreign Exchange Risk

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

22 – ASSETS HELD FOR SALE

The £5.655m figure represents properties at the Union Street housing development that will be sold privately or transferred to a registered social housing provider.

23 – SHORT AND LONG TERM DEBTORS

Short Term Debtors

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

Allowance for Bad Debts

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

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

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

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

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

Long Term Debtors

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

24 - CASH & CASH EQUIVALENTS

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

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

Accounting Policy – Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of

change in value. Currently, due to the requirement of funding for its liabilities, £14.16m of Council investments are classified as cash and cash equivalents.

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

25 – CREDITORS

Short Term

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

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

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

Other entities and individuals are broken down as follows:

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

26 - PROVISIONS**Provision for Appeals**

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

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

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

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

Accounting Policy – Provisions

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

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

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

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

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

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

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

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

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.

Payments

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

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

Accounting Policy – Deferred Liability

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

Accounting Policy – Minimum Revenue Provision

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

The Council has no borrowing but has identified that it has contractual arrangements that are classified as finance leases under the requirements of IFRIC 4. The repayments under these leases therefore need to be treated as a borrowing arrangement. The MRP amount that is set aside is equivalent to the value of the annual principal repayments on the contracts.

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	31st March
	2020	2021
	£000	£000
Balance at 1st April	597	549
Capital Receipts Received	1,963	1,723
Capital Receipts Applied	(2,012)	(1,813)
Balance at 31st March	549	459

30 - UNUSABLE RESERVES

	31st March 2020 £000	31st March 2021 £000
Revaluation Reserve	44,240	40,163
Capital Adjustment Account	74,197	75,046
Deferred Capital Receipts Reserve	8	7
Pensions Reserve	(73,677)	(89,783)
Collection Fund Adjustment Account	(26)	(13,036)
Accumulated Absences Account	(174)	(172)
Total Unusable Reserves	44,565	12,224

a) Revaluation Reserve

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

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

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

	31st March 2020 £000	31st March 2021 £000
Balance at 1st April	38,826	44,248
Upward revaluation of assets	5,568	
Downward revaluation of assets		(4,231)
Difference between fair value depreciation and historical cost depreciation	(144)	146
Balance at 31st March	44,248	40,163

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert

fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

	31st March 2020 £000	31st March 2021 £000
Balance at 1st April	68,058	74,197
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(4,160)	(5,094)
Amortisation of intangible assets	(135)	(121)
Revaluation Gains/Losses on Property, Plant & Equipment	(578)	(8,275)
Revenue expenditure funded from capital under statute	(1,799)	(833)
Write-off of non-enhancing capital expenditure	(58)	(79)
	(6,729)	(14,401)
Adjusting amounts written out of the Revaluation Reserve	(117)	(146)
Net written out amount of the cost of non-current assets consumed in the year	(6,846)	(14,547)
Capital financing applied in the year:		
Minimum Revenue Provision	0	798
Sums set aside for Debt Repayment	520	517
Use of the Capital Receipts Reserve to finance new capital expenditure	2,012	1,813
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	4,411	6,035
Capital expenditure charged against the General Fund balance	4,946	5,833
	11,888	14,996
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	1,096	400
Balance at 31st March	74,197	75,046

c) Pensions Reserve

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

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

d) Collection Fund Adjustment Account

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

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

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.

	2019/20 £000	2020/21 £000
Opening Capital Finance Requirement	12,114	40,527
Capital Investment		
Property, Plant & Equipment	37,695	23,494
Non-enhancing capital expenditure	56	79
Investment Properties	10	2,027
Intangible Assets	222	285
Revenue Expenditure Funded from Capital Under Statute	1,799	845
	39,782	26,730
Sources of Finance		
Capital receipts	(2,012)	(1,813)
Government grants & other contributions	(4,721)	(6,067)
New Homes Bonus	(3,881)	(4,472)
Other Revenue Contributions	(755)	(1,329)
	(11,368)	(13,681)
Increase in Capital Financing Requirement	28,414	13,049
Closing Capital Finance Requirement	40,527	53,576

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 internal borrowing using existing cash balances, in accordance with the agreed Treasury Management Strategy for 2020/21.

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:

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

Curtailments

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

Settlements

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

McCloud Case

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

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

Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

Local Government Pension Scheme Assets

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

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

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

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

Sensitivity Analysis

The estimation of the defined benefit obligations is sensitive to the actuarial assumptions set out in the table above. The sensitivity analyses below have

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

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

Scheme History

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

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

assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2022 are £3.690m.

Accounting Policy – Employee Benefits

Benefits Payable During Employment

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

Post-Employment Benefits

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

- The liabilities of the KCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate specified by the actuaries (based on the indicative rate of return on high quality corporate bonds.)
- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value
- The change in net pensions liability is analysed into the following components:
 - Service cost which comprises:

- Current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked.
- Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement.
- Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing & Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement.
- Re-measurements comprising:
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
- Contributions paid to the Kent County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Discretionary Benefits

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

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:

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

Accounting Policy – Leases

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

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

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

34 – EVENTS AFTER THE REPORTING PERIOD

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

Accounting Policy – Events after the Balance Sheet Date

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

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

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

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

	2019/20	2020/21
	£000	£000
Depreciation	(4,160)	(5,094)
Revaluation Gains & Losses	(839)	(8,275)
Amortisation of Intangible Assets	(135)	(121)
Movement in Creditors	(2,908)	(4,543)
Movement in Debtors	869	(823)
Movement in Inventories	69	(7)
Movement in Pension Liabilities	(4,264)	(2,881)
Other Non-Cash items	1,038	(198)
	(10,328)	(21,942)

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

	2019/20 £000	2020/21 £000
Capital Grants credited to surplus or deficit on the provision of services	4,411	6,036
Proceeds from sale of Property, Plant & Equipment	1,961	1,717
	6,372	7,753

37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2019/20 £000	2020/21 £000
Purchase of property, plant & equipment, investment property and intangible assets	38,246	25,901
Purchase of short-term and long-term investments	0	2,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,963)	(1,718)
Proceeds from short-term and long-term investments	(4,000)	0
Other payments for investing activities	0	106
Other receipts for investing activities (Grants)	(5,482)	(6,674)
Net cash flows from investing activities	26,800	19,614

38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

COLLECTION FUND STATEMENT & NOTES

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

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of this council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Respective shares of Balance Sheet items are consolidated into the accounts of billing and precepting authorities.

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

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

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

Notes to the Collection Fund

Note 1 – Council Tax

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

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

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

Note 2 - Business (Non-domestic) Rates

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

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

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

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

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

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

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

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

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

INDEPENDENT AUDITOR'S REPORT

To follow

Annual Governance Statement
2020-21

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Key Governance Roles and Responsibilities

Our Governance Framework

Governance Review of Effectiveness 2020-21

Update on Areas Identified for Development in 2019/20 Annual Governance Statement

Corporate Governance Areas for 2020-21

Conclusion on Significant Governance Issues

Introduction

The Annual Governance Statement is a review of the Council's governance arrangements in 2020-21. The statement evaluates how we meet the governance framework and provides an opinion on whether the current governance arrangements are fit for purpose.

The past year has seen the council face challenges in-light of the COVID-19 pandemic and public health emergency. We have been put into the challenging position of managing response and initiating recovery, ensuring we are supporting our most vulnerable residents in immediate crisis and looking at how we can build back better as we emerge from the pandemic. A review of the effectiveness of our governance arrangements includes actions taken because of the pandemic which have been woven throughout each element of governance reviewed.

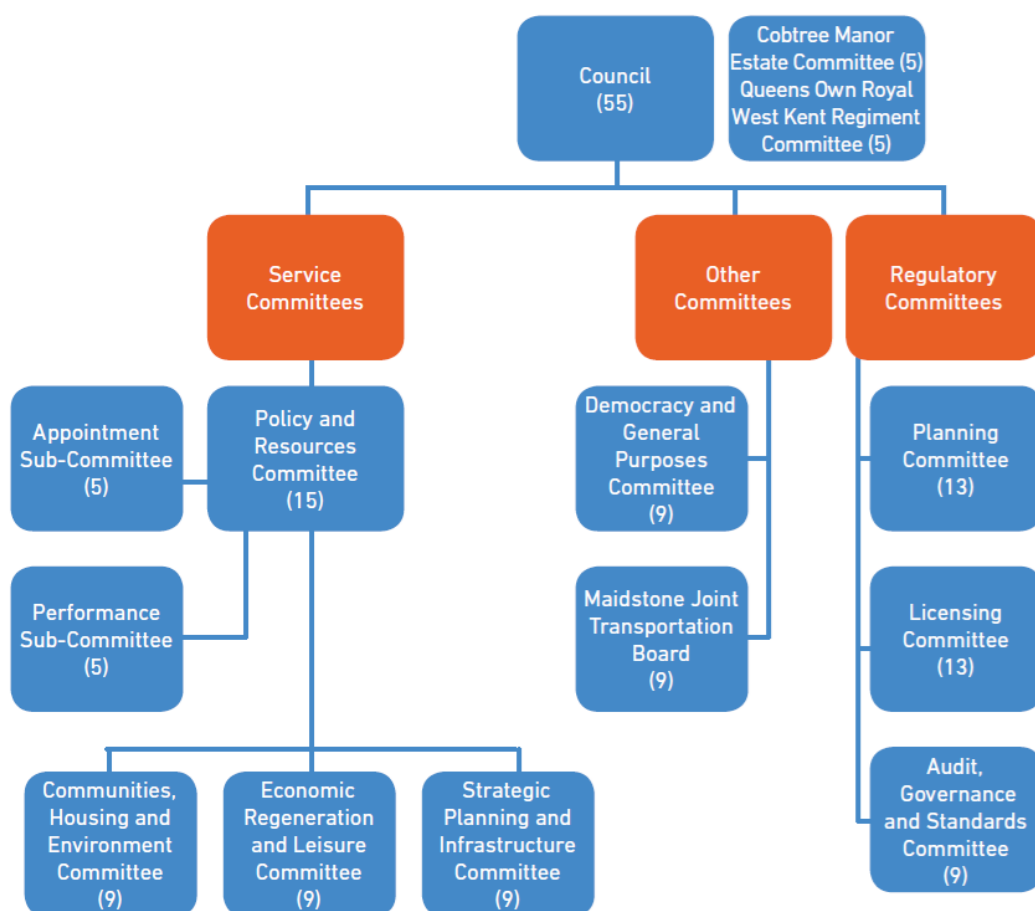
We've also considered the Council's compliance with the Chartered Institute of Public Finance and Accountability's new Financial Management Code and this will be reported to Audit Governance and Standards Committee in July 2021. Areas of improvement have been included in our action plan for 2021-22.

Key Governance Roles and Responsibilities

Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Maidstone Borough Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency, and effectiveness. This Annual Governance Statement for 2020-21 also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which require an authority to conduct a review of the effectiveness of its system of internal control and the duty to prepare an annual governance statement.

The Council operates a committee system of governance and the Leader is the focus for political direction and the chief spokesperson for the Council. The Leader is also the Chairman of the Policy and Resources Committee. The Council has four service committees taking decisions within their terms of reference as agreed by Council; individual Councillors do not have delegated authority from Council to make decisions. In addition, there are committees that deal with licensing, planning, audit, governance and standards, democracy and employment and other regulatory matters. The numbers shown in the diagram below reflect membership. In May 2020 the Council agreed to change its model of governance to an Executive Model, with the Democracy and General Purposes Committee undertaking this work in 2021-22 for implementation at the May 2022 Annual General Meeting.

Council Governance Model



The Council's Section 151 Officer, Mark Green, and the Monitoring Officer, Patricia Narebor, are key members of the Corporate Leadership Team, reviewing all decisions taken through the Corporate Leadership Team, Committees and Full Council. The Section 151 Officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 Officer also has a number of statutory powers to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit.

The Monitoring Officer serves as the guardian of the [Council's Constitution](#) and the decision-making process. During 2020-21, amendments to the Constitution have been referred to the Democracy and General Purposes Committee and revisions implemented in line with the decision of the Committee and under the Monitoring Officer's delegation. The Monitoring Officer is also responsible for advising the Council on the legality of its decisions and providing guidance to councillors and officers on the Council's Constitution and its powers. This includes dealing with complaints under the Councillors' Code of Conduct.

The Corporate Leadership Team is led by the Chief Executive who is Head of Paid Service with overall corporate management and operational responsibility.

The Head of Policy, Communications and Governance, has responsibility for corporate governance, leading the Council's corporate governance group and coordinating the annual governance statement as well as ensuring the Local Code of Corporate Governance is updated.

In discharging this overall responsibility, Maidstone Borough Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.

The Council had approved and adopted a Local Code of Corporate Governance in 2017 which has since been updated in 2020 and again this year. The code is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework [Delivering Good Governance in Local Government Guidance Notes for English Authorities 2016](#).

Our Governance Framework

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

The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve the Council's objectives, and therefore can only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise risks to the achievement of the Council's objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2021 and up to the date of approval of the Statement of Accounts.

The International Framework: Good Governance in the Public Sector states that:

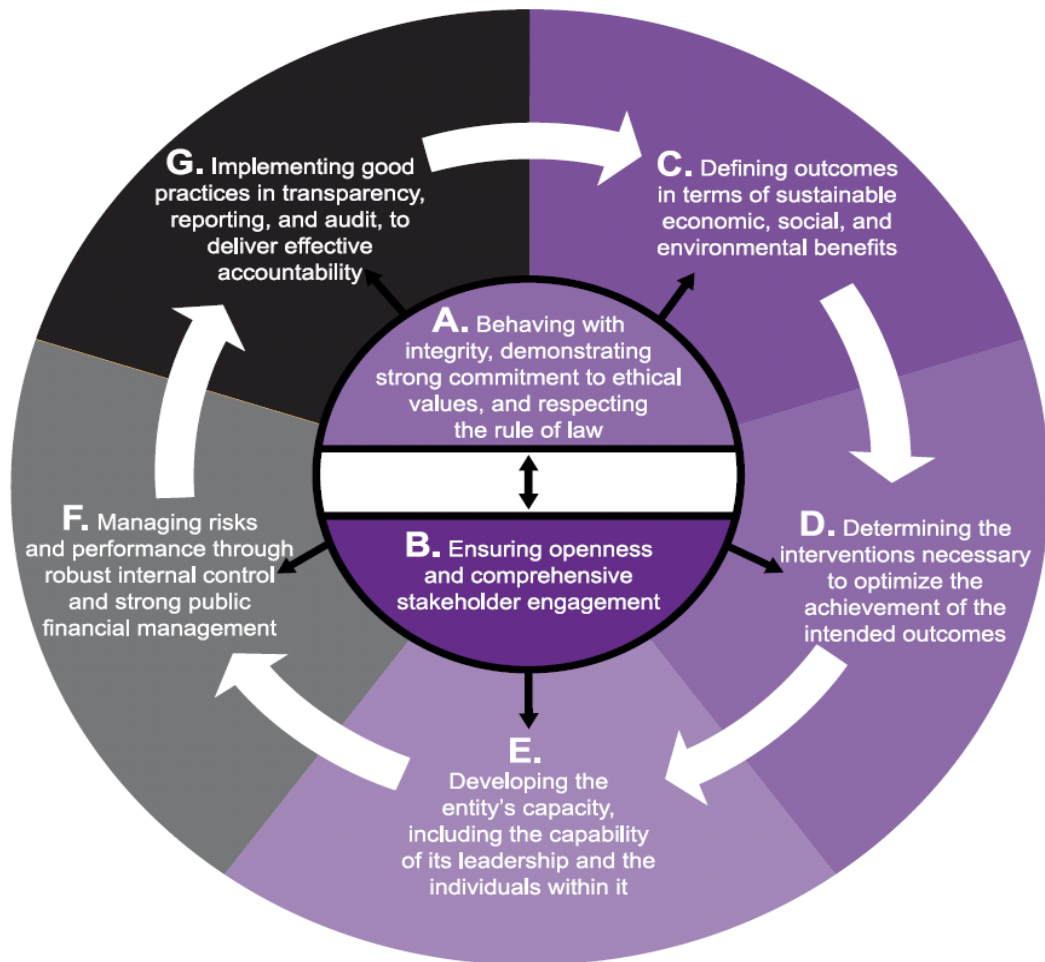
"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

Our Local Code sets out the framework within which we conduct our business and affairs and the governance structure we have in place. Whilst this code sets out principles, processes and policies, it is the application of the framework that will demonstrate good governance.

This statement sets out how we have demonstrated and met those principles in 2020-21.

The 7 principles within the Local Code of Corporate Governance

Diagram from CIPFA and SOLACE Framework



Governance Review of Effectiveness 2020-21

A. Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

Assured in part

The Council has strong values known and understood by officers one of which is integrity and promotes a culture of compliance. Councillors are trained on the Code of Conduct and guidance is offered from the Monitoring Officer, Corporate Leadership Team and Democratic Services Team.

The Council's Codes of Conduct sets out clear expectations and requirements for behaving with integrity, committing to ethical values, and respecting the rule of law for both Councillors and Officers. It has been identified by the Wider Leadership Team that there could be more awareness of the Nolan Principles and our governance framework throughout the organisation.

The Council adopted the local code of corporate governance in 2017 which complies with CIPFA and SOLACE "Delivering Good Governance in Local Government". This code was updated in June 2020 and has been refreshed in 2021 with input from the Council's Wider Leadership Team. The team identified that awareness should be raised of the code and this will be taken forward as an action in 2021-22.

The Council also has in place a local Code of Conduct for Councillors and a Code of Conduct for staff which includes the Nolan Principles. Code of Conduct training is carried out annually for Councillors and included in the new councillor induction programme to which all members are invited. During the municipal year 2020-21, there were 8 Code of Conduct complaints dealt with under the Localism Act 2011 against Parish Councillors and 1 complaint raised against Borough Councillors. In 2020-21 there continued to be times where confidential information given to Councillors to fulfil their committee and governance role was shared with the media. The Chief Executive continues to work with group leaders on this issue. Democracy and General Purposes Committee reviewed Councillors access to information including external counsel advice and did not make changes to the access to information procedural rules.

The Local Government Association updated the model code of conduct in 2020. Our own local Code of Conduct will be updated in 2021-22 and incorporated as part of the new arrangements.

Information on the employee Code of Conduct is set out in the staff handbook and is included in the induction for all new employees. Following discussion with Wider Leadership Team and a review of the requirements of the new financial code, it has been identified that more could be done to embed the Nolan Principles. This will be an area for improvement in 2021-22 and will be led by the Corporate Governance Working Group.

A [Register of Interests](#) is maintained and training is offered to Councillors on standards, interests and our Code of Conduct. A register of gifts and hospitality is maintained, and staff are reminded to complete this annually. Under the Local Government Act 1972, section 117, the Council requires officers to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council.

The [Audit, Governance and Standards Committee's](#) purpose is to promote and maintain high standards of Councillor and Officer conduct within the Council. The Committee has responsibility for adopting and reviewing the Annual Governance Statement, independent assurance of the adequacy of the financial and risk management framework and the associated control environment.

We have a clearly defined set of core values that are embedded at the Council, they form part of our competency framework against which staff are assessed annually. A staff survey was carried out at the beginning of 2020 which showed a clear understanding of the Council's priorities and values with 90% of those who responded saying they understand the Council's values. Annually, we hold a staff awards event for those who have demonstrated they have exceeded the standards by going above and beyond the expected, in their behaviour.

The statutory roles of the Chief Financial Officer (s.151 officer) and the Monitoring Officer are set out in the [Constitution](#) and in the scheme of delegation. They provide oversight of propriety and lawfulness. They have a direct reporting line to the Chief Executive and are involved in all major decision-making preparation through membership of the Corporate Leadership Team, as well as being signatories to all key and other significant decisions.

There is an [Equality Policy](#) in place for the organisation; the objectives and action plan were updated in 2020 and will be reviewed and updated again in 2021.

The [Constitution](#) is kept under review by the Democracy and General Purposes Committee and the Monitoring Officer, with changes agreed by full Council.

In 2019 the Council created a separation between the Local Plan Review and other Planning Functions as the Director for Regeneration and Place is leading on the proposal for a Council-led garden community. This has ensured a clear separation of roles.

During 2020-21 the Council consistently followed government advice in taking decisions on service delivery during the public health emergency. Consequently, a decision was taken to close several Council venues including the Museum and Lockmeadow. Play areas were closed and several services that were either non-essential or non-compatible with social distancing rules were suspended including food safety inspections and taxi driver knowledge tests. The Council's contractors also closed the leisure centre and the theatre in 2020 in response to the pandemic. Services have now resumed in accordance with government guidance.

B. Ensuring openness and comprehensive stakeholder engagement

Assured

The council is proactive in relation to transparency and stakeholder engagement.

The Communications team have issued 190 press releases in 2020-21 as well as our council magazine Borough Insight, including one special edition focussing on the impact of the pandemic and the services and support available. The need for good communication with residents and businesses was accentuated during the response phase to the COVID-19 public health emergency. The Communications team supported front line service delivery communication needs through over 50 design projects including signage, posters, newsletters, 44 press releases, 22 radio interviews and six radio adverts. Topics covered include changes to services e.g. parking, parks and new initiatives including business rate grants, virtual committee meetings and the community hub. The team have also been active across social media channels producing over 300 posts on both Facebook and twitter as well as 22 posts on Instagram. The team also encouraged the take-up of the COVID-19 vaccine with campaigns targeted at groups and areas where there is evidence they are less likely to get the vaccine.

During 2020/21 the Policy and Information team have carried out 25 consultations. Nine of these were internal, aimed at staff or members. Fourteen were public residents or stakeholder consultations, and two were undertaken on behalf of other local authorities. Overall, 19,100 responses were received to consultations run by the Policy & Information team in 2020/21. Public consultations were undertaken on a variety of topics, some of which focussed on specific geographical areas in the borough such as Weavering Heath and the Town Centre. Other consultations sought information about specific policies or how residents feel about particular issues. For example, the impact of Covid-19 Survey, looked at behavioural changes caused by the pandemic and The Youth Crime Survey, explored how safe young people in Maidstone feel. The information gathered through these surveys has been used to support decisions on Council spending, licensing policy and renewal of the Council's Public Spaces Protection Orders. Survey data has also been used to identify and prioritise improvements, for example the Bus Station Improvement Survey, and to assess how our staff were feeling as a result of the pandemic and changes to ways of working through the Staff Wellbeing Survey.

The Council has a Communication and Engagement Action Plan in place which is reviewed annually and approved by the Policy and Resources Committee. We also have a Statement of Community Involvement in place for Planning, covering a whole variety of means of communicating with and involving residents in planning matters.

We believe in transparency and have a large amount of information available on the [data and information](#) pages of our website, including details of payments to suppliers, decision notices, performance information, a list of our assets and senior staff salaries. This data has been reviewed in 2020-21 and a new project has been agreed to improve openness and transparency as an improvement area for 2021-22 to improve access to data, increase transparency and update information. The Council's website includes an [accessibility statement](#) to inform users how the site has been tested and audited to improve accessibility as well as identifying areas for improvement.

We have dealt with a large volume of Freedom of Information requests a total of 896 requests of which 96% were processed on time, a sustained performance compared to the previous year in which we dealt with 893 requests and 96% processed on time.

The Council applies the public interest test appropriately when deciding whether reports or other information the Council holds have to be confidential, and makes an effort to put as much information in the public domain as possible, including splitting confidential information into appendices to allow discussion of the broader topic in public. Over the last year the Council has been subject to increased scrutiny in relation to its Garden Community Proposal, and this has been identified as an area for continued improvement for 2021/22.

To ensure robust, effective and transparent decision making in 2020-21 the Council utilised remote technology to enable committee meetings to go ahead with full public access and engagement on-line. This ensured all councillors could attend meetings, and public could access was maintained alongside participation through question time. We continue to use remote working technology to allow public participation remotely.

The Council takes up opportunities to engage with partners and stakeholders through avenues such as the Developers' forum, Parish Liaison meetings, Maidstone Destination Management Plan. We have acted as community ambassadors in our capacity as the democratically elected body representing residents with partners. We continue to build relationships with partner organisations including at a Councillor level as evidenced by Golding Homes' attendance at the Communities, Housing and Environment Committee meetings in 2020-21.

Involve, through a service level agreement with the Council continue to run a number of forums, including Service Providers, Voluntary and Community Sector, Children and Young People, Health, Wellbeing and Disability and a West Kent Multicultural Network which offer learning and insight through join up with practitioners and partner organisations. Involve also facilitate a wider reach for consultation and engagement with the wider community through its networks. This is achieved via its weekly newsletter and emails. During the pandemic the forums were brought together, as many of the challenges faced from social isolation to digital inclusion affected all the sectors covered by the forums.

For the Council, COVID-19 illustrated the need to be able to reach the community directly to understand its needs. Involve continue to play an important role in this going forward. However, the work of the Community Hub and the repository of community organisations that came forward to offer help during the pandemic continues to be built upon and developed. The Council are already engaging with this growing cohort and can include them in public consultations to provide invaluable insight.

C. Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Assured

The Council's priorities and cross cutting objectives in the Strategic Plan 2019-45 seek outcomes with sustainable economic, social, and environmental benefits. In 2020-21 the plan's areas of focus were updated in response to COVID-19

A Biodiversity and Climate Change Strategy and Action Plan was approved by policy and Resources Committee in 2020 and training is planned in 2021-22 to embed this in decision making

The Council developed a [Strategic Plan](#) in 2018 through a series of events, meetings and consultation with stakeholders. We have in place a clear vision and four key priorities to 2045. Outcomes are measured through strategy action plan updates, performance measures and targets which are reported regularly to Wider Leadership Team and the Service Committees.



To ensure the delivery of the strategic plan priorities and actions each service is required to produce a service plan and individuals also identify how they meet the priorities in their objectives which are reviewed monthly. Regular updates are given on progress with the Strategic Plan at our Staff and Manager Forums as well as at our annual One Council event.

Our corporate report template requires report authors to identify how decisions align with the Council's priorities and show the options that have been considered and the impact of the recommended course of action. The template has been updated to include biodiversity and climate change considering the council's new biodiversity and climate change strategy. We also have a robust risk management framework in place; risks are reported to the Wider and Corporate Leadership Teams, Policy and Resources and Audit, Governance and Standards Committees.

In 2020-21 the Council revised the Strategic Plan's areas of focus updating them from 2019-24 to 2021-26 with the following changes:

- A focus on delivering those actions in the new Economic Delivery Strategy (EDS) that will promote economic recovery from COVID-19
- Delivering a sustainable and vibrant leisure and cultural offer
- Working with community groups and parish councils to develop community resilience and pride in our Borough
- Promote inward investment; and
- Identifying opportunities with partners to reduce health inequalities in the Borough.

A Biodiversity and Climate Change Strategy and Action Plan was approved in 2020 and is overseen by the Policy and Resources Committee through six monthly updates.

The Council has an inclusion board to support the delivery of its social inclusion and equalities responsibilities. In 2020-21 in response to the ongoing public health emergency, we supported the most vulnerable residents in the borough including over 10,500 people who have been identified as Clinically Extremely Vulnerable and a significant number of families who have been financially vulnerable. For example during the first wave over 1,200 food parcels were delivered in addition to the significant support provided through foodbanks and parish councils. The spatial distribution for these food parcels reflected the pattern of deprivation in the borough. Financial Inclusion has been identified as an area of work in our actions for recovery and renewal.

In September 2020 the Communities, Housing and Environment commissioned a review of access to services which is due to be completed in 2022 at the end of the municipal year. The review includes communications, digital accessibility and buildings.

In early 2019, the Council committed to be part of the [compassionate cities](#) programme working in partnership with the Heart of Kent Hospice. We held our first [compassionate community awards](#) in October 2020 to acknowledge individuals, groups and organisations who went above and beyond to make a difference to so many people in their communities throughout the COVID-19 lockdown.

D. Determining the interventions necessary to optimise the achievement of the intended outcomes

Assured

Oversight and healthy challenge are provided through service committees, boards and working groups.

The Council's risk register has been reviewed and updated with key risks included in the action plan for 2021-22

The [Council's Constitution](#) clearly defines the roles and responsibilities of Officers and Councillors. It has been kept under regular review in 2020-21 with amendments made to the planning referral process in 2020.

The Council's four service committees are responsible for making decisions on the services delivered by the Council. The four service committees, Democracy and General Purposes Committee and Audit, Governance and Standards Committee have work programmes in place. These programmes detail the decisions and reports for the year and are reviewed monthly by each committee. Details of committees and their work can be found on our [website](#).

Performance is reported on a quarterly basis to each service committee as well as updates on plans and strategies throughout the year. Corporate Leadership Team received monthly performance monitoring reports for Housing and Planning during 2020-21. Performance management became critical in managing our response to the COVID-19 Pandemic, with unit managers providing daily reports of issues, risks and implications for service delivery performance. This enabled Corporate Leadership Team to review needs and pressures and redistribute resources as needed; a dashboard of Key Performance Indicators for key services was also established to enable evidence based oversight. Our emergency planning arrangements were also developed so that we had a plan in place to manage any other emergency that may occur simultaneously whilst we dealt with the response to COVID-19

The Council has a Transformation Team which carries out reviews to improve the efficiency of Council services. In 2020-21 reviews were carried out covering: Corporate Support Automation, the corporate induction, Council storage project new ways of working print review, building control review and corporate property review.

A clear separation of responsibility has been established for property maintenance and health and safety compliance, regarding our residential property (private sector and temporary accommodation) being managed by the Housing Team and commercial property by the Corporate Property Team. Regular checks are carried out to comply with the legal requirements for health and safety, including properties where the prime responsibility lies with the tenant. The outcomes are reported on a regular monthly basis to Corporate Leadership Team, and this continued to be reported on in 2020-21.

The highest level risks on the Corporate [Risk Register](#), were reported to and monitored by Corporate Leadership Team throughout the year, and action was taken to manage risks to an acceptable level. Further to this, risks updates were reported to Policy & Resources Committee and also to Audit, Governance and Standards Committee during the year for oversight and challenge.

E. Developing the entity's capacity, including the capability of its leadership and the individuals within it

Assured

The Council has a clear commitment to developing capacity with a well-developed Learning and Development Programme and an Established Members Charter in place.

Staff and Councillors have the opportunity to attend training relevant to their roles and there are agreed budgets for Member development and Staff.

In early 2020 a staff survey was undertaken in which 69% of respondents answered that they were able to access the right learning and development opportunities when they need to. 59% of staff identified that the learning and development activities completed in the last twelve months had helped to improve their performance.

The Council in 2020 introduced a new "check-in" system to manage one to ones, performance objectives and personal development plans. Managers are encouraged to discuss objectives monthly with their team members and review personal development plans regularly rather than at six monthly intervals. In 2021 the Learning and Development Team have met with managers to identify training needs and have developed a new management programme for 2021-22 based on the feedback received.

The Council has a learning and development programme in place for officers approved by the Wider Leadership Team and a Member Development Charter in place for Councillors. There is a wide variety of training offered to staff and Councillors. During 2020-21 training was adapted to cater for remote working

with a wide variety of bite size training and webinars offered online covering resilience, remote working, growth mindset and wellbeing. The Annual One Council staff event and awards was held on-line this year to allow as many staff as possible to access the event safely. In response to the new ways of working adopted because of the pandemic we introduced monthly all staff webinars which cover progress against our priorities, briefings on projects and updates for staff; these are led by the Chief Executive.

The Strategic Plan sets out a number of priorities and outcomes to be achieved by 2045. In 2021 Policy and Resources Committee agreed new areas of focus for these priorities for the next five years and are now in the process of developing actions for recovery and renewal in response to the pandemic.

F. Managing risks and performance through robust internal control and strong public financial management

Assured in part

Performance and risk are well managed and regularly reported to management team and committees.

Significant risks from the corporate risk register feature in the Annual Governance Statement Action Plan for 2021-22.

Several actions have been identified through reviewing council compliance with the new Financial Management Code

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 Policy and Resources Committee. Members take an active interest in the risk management process and engage fully in discussion about individual risks. The Council has in place a robust risk management framework and guidance and risk management is considered by the Audit Governance and Standards Committee.

Performance reports aligned to the Council's priorities are reported to the wider leadership team and service committees on a quarterly basis for scrutiny and challenge. Service committees carry out policy and strategy development. Financial performance is reported to all the service committees on a quarterly basis.

During the first 4 weeks of response to the pandemic, unit managers provided daily reports of issues, risks and implications for service delivery performance enabling CLT to review needs and pressures and redistribute resources as

needed; a dashboard of Key Performance Indicators for key services was also established to enable evidence based oversight.

As a result of the pandemic the Data Protection Officer was redeployed to lead the community hub and work was refocused in the Policy and Information Team to provide performance dashboards to manage risk and service delivery and insight and analytical support; the areas identified for data protection have not been progressed as planned in 2020-21. Critical work on data sharing agreements and data privacy impact assessments as well as complying with right requests was undertaken.

Monthly budget spending is reported to budget holders and quarterly review meetings with the Director of Finance and Business Improvement are in place. The corporate report template requires information explaining the legal and financial impact of decisions and the S151 Officer and Monitoring Officer are required to comment on financial and legal implications of reports. The Council took action in 2020-21 to mitigate the potential impact of budget pressures as a result of COVID-19, which when combined with the increased level of government support, has resulted in the overall out-turn for the General Fund (i.e. excluding the impact of Council Tax and Business Rates collection performance) as an underspend of £1.222 million. Several actions to improve financial management ahead of the introduction of the new Financial Management Code have been identified and these have been included in the action plan for 2021-22. Actions include reviewing the effectiveness of reports and training.

The Council has an anti-fraud and corruption policy in place and a whistle blowing policy, all of which are regularly reviewed by the Audit, Governance and Standards Committee.

The Council has a Data Protection Officer and an action plan to ensure compliance with Data Protection Legislation. The information management group chaired by the Senior Information Risk Owner meets quarterly to review information management practice and policies including cyber security. The Chairman of the Audit, Governance and Standards Committee also attends and contributes to the group. The group regularly monitors trends in rights requests, freedom of information requests, data breaches and cyber security.

G. Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Assured in part

The Council has a strong commitment to transparency. Regular consultation is carried out to improve and inform services.

A variety of information is available on the council's website

Partnership arrangements are robust

The Council's transparency web pages require updating

The Council's website includes information that is required under transparency. It has been identified that this data has now become out of date and we will be updating the pages as part of a project on open data and transparency. We publish an [annual report](#) as part of our Statement of Accounts which includes our performance, progress against priorities and financial performance. We report the results of public consultation on our website and our committee meetings are webcast.

The Whistleblowing Policy is available on the intranet and sets out a confidential reporting process for those who wish to raise concerns.

The annual governance statement and action plan is published on-line as part of the statement of accounts and reported to the Audit, Governance and Standards Committee.

The Local Code of Corporate Governance was rewritten in 2017 and a refreshed code was considered by Audit, Governance and Standards and Committee in July 2020 with a further revision being presented in July 2021.

Internal audit activity is reported regularly to the Audit, Governance and Standards Committee to inform members of the internal audit activity that takes place during the year.

We are part of the Mid Kent Services Partnership delivering several shared services; to ensure the partnership is operating effectively, regular board meetings are held quarterly to manage performance.

The Council has assessed its compliance with the new Financial Management Code and as a result several actions have been identified to improve transparency and reporting for financial information these have been included in the action plan for 2021-22.

Update on areas identified for development in 2019/20 AGS

Corporate Governance Area	Update
Ensure financial risk arising from the impact of COVID-19 are managed	The financial impact of Covid-19 is monitored in parallel with our regular monthly financial reporting and monthly reports are submitted to MHCLG setting out the impact of Covid-19. The impact of Covid-19 is specifically addressed in our quarterly financial performance monitoring reports to members.
Poor management of contracts or financial resilience of contractors leads to significant contract failure disrupting services and creating extra liabilities. Potential impact on the capital programme because of the resilience of our contractors.	Contract management is recognised as a specific skillset. Contract managers receive training and are familiar with the Council's contract management toolkit. Financial variances on individual contracts are identified as part of the budget monitoring process and action taken accordingly. Supplier resilience is checked at the point of contract award and, where appropriate, during contract delivery.
Exit of EU on unfavourable terms results in adverse short-term Brexit impacts disrupting the Council's ability to offer services and increasing liabilities.	Officers with emergency planning responsibilities met regularly to plan for any short-term impacts from EU transition on 31/12/20. The Council is part of the Kent Resilience Forum and participates in its regular tactical and strategic coordination groups to plan for EU transition. Individual service area contingency plans were reviewed and updated considering potential threats arising from EU transition.
Data Protection Areas identified for Improvement in 2020-21: <ul style="list-style-type: none"> Record of Processing Activity updated Information sharing guidance issued and training rolled out Asset Register and Retention Schedule review completed, and changes implemented 	These actions are now included in the new Data Protection Action Plan which has been reported to Audit, Governance and Standards Committee. The Record of Processing Activity has been completed and the training has been carried out with key teams on data protection.
Capacity to deliver the investment and regeneration programme – (link to Corporate Risk Register).	Within the Council's 5-year capital programme, around £60m has been allocated for investment in housing and regeneration type projects. The

Corporate Governance Area	Update
	<p>Regeneration & Economic Development service area has been refocussed to lead on this work.</p> <p>The team has taken on additional staffing resources to assist in delivery, as well as undertaken several specialist training programmes, and is now well supported by a trusted pool of specialist external consultancy firms too, providing the likes of Employers Agent and Architects services. There is an acceptable order book of potential suitable projects to deliver, but the challenge is that of taking these to contract stage with the required financial outputs.</p> <p>Approvals have been secured for to projects at King Street and the Former Royal British Legion Club in Parkwood, which will total around 35 new homes. The viability of these two projects has been aided by successful bids to the MHCLG's Brownfield Land Release Fund. A third scheme is due to be considered by Policy & Resources Committee in</p>
Property Maintenance, Health and Safety Compliance.	<p>Compliance with all legal requirements is monitored and reported regularly to CLT. Where the Council is not directly responsible (e.g. responsibility lies with our tenants) we nevertheless follow up with tenants to ensure that they are compliant.</p>
Ensuring we are resilient and continue to build relationships with partners.	<p>Communities, Housing and Environment Committee considered a report on community resilience and how the Council can build on the activity during the Pandemic. The committee agreed that a new community compact with the voluntary and community sector be put in place and the Parish Charter be refreshed in 2021-22 to recognise the roles played by these bodies in an emergency. A monthly newsletter for Parish Councils was introduced and the Council now has a repository of Voluntary and Community Sector Organisations.</p>

Corporate Governance Area	Update
Declaration of Interests.	The process is in the process of being digitalised
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	The Council continues to apply the public interest test to reports and information regarding the Garden Community Proposal. Regular update reports on the progress of the Garden Community are received by the Policy and Resources Committee. The Council continues to separate the roles of planning authority and developer with the appointment of a separate director to oversee the planning service and Local Plan Review, allowing the Director of Regeneration and Place to oversee the development of the Garden Community Proposal separately. Political decision making is also separated with the Policy and Resources Committee take responsibility for the Council's role as promoter of this proposition and the Strategic Planning and Infrastructure Committee for consideration of the Garden Settlement in options for the spatial development strategy 2022-2037

Corporate Governance Action Areas 2021-22

Corporate Governance Area	Lead Officer	By When
Make data and information more freely accessible on the website and on request	Data Protection Officer	Project to be completed by March 2022
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Data Protection Officer	Action plan progress will be reported to this committee in November 2021
Raising awareness of the code of local governance and the Nolan Principles	Head of Policy, Communications and Governance	Updates in November 2021 and March 2022
Actions to ensure compliance with the Financial Management Code: <ul style="list-style-type: none"> • Develop and embed a policy on Social Value 	Director of Finance and Business Improvement	Updates in November 2021 and March 2022

Corporate Governance Area	Lead Officer	By When
<ul style="list-style-type: none"> • Review and update the Commissioning Strategy • Hold Member workshops to inform the development of the 2022/23 budget • Review approach to investment appraisal for conformance with 'Principles in Project and Investment Appraisal' • Assess the usefulness of budget monitoring reports to the leadership team in supporting strategic decision making and identify scope for improving these as appropriate. • Refresh the 2021/22 Capital Strategy 		
Learning from governance failings at other Local Authorities	Chief Executive	Updates in November 2021 and March 2022
Review of Church Road, Otham	Head of Policy, Communications and Governance	Report in November 2021
Change to Executive Model of Governance	Head of Policy, Communications and Governance	Updates in November 2021 and March 2022
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	Director of Regeneration and Place	
Corporate Risk: Contraction in retail and leisure sectors, the Council will be developing a Town Centre Management Strategy	Director of Regeneration and Place	Updates in November 2021 and March 2022
Corporate Risk: Financial Restrictions	Director of Finance and Business Improvement	Updates in November 2021 and March 2022
Corporate Risk: Environmental Damage	Head of Transformation and Property	Updates in November 2021 and March 2022
Corporate Risk: Brexit/EU transition	Director of Finance and Business Improvement	Updates in November 2021 and March 2022

Conclusion on Significant Governance Issues

Overall, we can confirm that the Council has the appropriate systems and governance arrangements in place.

The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Key considerations for the Council include the need for an adequate contingency provision, the S151 officer's guidance on the financial prudence of options before members and ensuring that there are reasonable grounds for making decisions.

Updates on the areas for improvement will be provided to the Audit Governance and Standards Committee on a six-monthly basis and kept under review by the internal Corporate Governance Group.

Internal Audit Opinion to be updated

The Head of Internal Audit will present the annual report and opinion to Audit, Governance and Standards Committee on 28 July 2021. The specific extract of the covering report that includes the opinion reads:

"The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in place during 2020/21. Further, he is satisfied the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, he is satisfied the Council's risk management processes are effective"

Signed:

Chief Executive:

Date:

Leader of the Council:

Date:

Grant Thornton UK LLP
110 Bishopsgate
London EC2N 4AY

xx November 2021

Maidstone Borough Council

Maidstone House,
King Street,
Maidstone, Kent ME15 6JQ

 maidstone.gov.uk

 [maidstonebc](https://twitter.com/maidstonebc)

 [maidstoneboroughcouncil](https://www.facebook.com/maidstoneboroughcouncil)

Dear Sirs

Maidstone Borough Council Financial Statements for the year ended 31 March 2021

This representation letter is provided in connection with the audit of the financial statements of Maidstone Borough Council for the year ended 31 March 2021 for the purpose of expressing an opinion as to whether the Council financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 and applicable law.

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

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2020/21 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include:
- valuation of the net pension liability
 - valuation of land and buildings
 - valuation of investment property
 - depreciation
 - provisions
 - fair value estimates
 - accruals
 - credit loss allowance

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
 - a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entity to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

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

Information Provided

- xv. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the

government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

- xvi. We have communicated to you all deficiencies in internal control of which management is aware.
- xvii. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xviii. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xix. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
 - a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xx. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxi. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxii. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxiii. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

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

Narrative Report

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

Approval

The approval of this letter of representation was minuted by the Council's Audit Governance and Standards Committee at its meeting on 15 November 2021.

Yours faithfully

Name...Councillor John Perry.....

Position...Chair of Audit, Governance and Standards Committee.....

Date.....xx November 2021..... *(date to match audit opinion date)*

Name.....Mark Green.....

Position.....Director of Finance and Business Improvement.....

Date.....xx November 2021..... *(date to match audit opinion date)*

Signed on behalf of the Council

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

15 November 2021

Budget Strategy – Risk Assessment Update

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

Current monitoring indicates that in year financial performance in 2021/22 remains in line with budget. Looking further ahead, there are a number of risks that will be reflected in the updated Medium Term Financial Strategy, notably inflation remaining above the government's long term target and uncertainty about future local government funding arrangements.

This report makes the following recommendations to this Committee:

That the Audit Governance and Standards Committee notes the updated risk assessment of the Budget Strategy provided at Appendix A.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	15 November 2021

Budget Strategy – Risk Assessment Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance and Business Improvement
Cross Cutting Objectives	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance and Business Improvement
Risk Management	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance and Business Improvement
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Director of Finance and Business Improvement
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
Legal	The Council has a statutory obligation to set a balanced budget and development of	Director of Finance and Business Improvement

	the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	
Privacy and Data Protection	No implications.	Director of Finance and Business Improvement
Equalities	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance and Business Improvement
Public Health	None identified.	Director of Finance and Business Improvement
Crime and Disorder	None identified.	Director of Finance and Business Improvement
Procurement	None identified.	Director of Finance and Business Improvement
Biodiversity and Climate Change	None identified.	Director of Finance and Business Improvement

2. INTRODUCTION AND BACKGROUND

- 2.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Members have requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the

Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

Delivering the revenue budget

- 2.2 Details of the Council's financial performance for the second quarter of 2021/22 are due to be reported to Service Committees in the next Committee cycle. At present, indications are that the Council will remain within budget overall, although there are a number of offsetting overspends and underspends. A potential area of concern, already flagged up previously, is the shortfall in business rates collections against target.

Spending Review 2021

- 2.3 The Chancellor announced a three year Spending Review on 27 October. This included real terms growth in Council Spending Power (the government's preferred measure) over the next three years. It should be noted that the calculation of Council Spending Power assumes that local authorities will increase Council Tax by the maximum permissible without a referendum, which in Maidstone's case is a 2% increase.
- 2.4 Details of the impact of this overall increase for individual authorities remain to be announced in the Local Government Finance Settlement, which is due in December. A potential issue for Maidstone is that an 'across the board' increase in funding for Councils would use the current basis of assessing funding requirements, which in 2019/20 indicated that the Council would have to pay negative Revenue Support Grant (RSG) to government, rather than receiving Revenue Support Grant from the government. The first element of any increase in funding could therefore simply be used to reverse negative RSG, giving no benefit to the Council. The Council is lobbying DLUHC to address this anomaly.
- 2.5 Although the Spending Review covered three years (2022/23 to 2024/25), it is not clear whether this will translate into a three year local government funding settlement. Local authorities benefited from the certainty offered by the four year settlement between 2016/17 and 2019/20, even though this was a period of reductions in funding, and it is hoped that similar certainty can be provided for the next three years.
- 2.6 The Chancellor's announcements included various capital funds (£300m grant funding to unlock brownfield sites, £1.5bn to regenerate unused land, UK Shared Prosperity Fund £2.6bn, Levelling-Up Fund £4.8bn. The Council will take every opportunity to bid from these funds in order to leverage its own capital expenditure.

Medium Term Financial Strategy

- 2.7 The budget position for future years is addressed in the Council's Medium Term Financial Strategy (MTFS). A first draft of the updated MTFS will be going to Policy and Resources Committee at its meeting on 24th November 2021. The MTFS will seek to address the various areas of uncertainty that the Council faces, both in relation to the overall economic outlook, and

specifically higher inflation, and the lack of information about the future arrangements for local government funding.

Delivering the capital budget

- 2.8 The capital programme plays a vital part in delivering the Council's corporate objectives. The Council borrowed to fund the capital programme for the first time last year. The availability of funding is therefore essential to delivery of the programme.
- 2.9 At present, funding for the capital programme is readily available at very low cost. In the short term, funding is available through the market in borrowing and lending between local authorities. Longer term funding is available from the Public Works Loan Board (PWLb). There is no indication that the government will withdraw this facility for local authorities, so long as the lending is not for purely commercial investment purposes.
- 2.10 Bank Rate is now expected to rise over the next year. However, at this stage, longer term rates remain stable and borrowing costs remain within the Council's 2% budgeted level. The Council has taken a first tranche of PWLB borrowing and will continue to borrow in line with capital funding requirements.
- 2.11 A potential risk to the capital budget is the impact of inflation and supply blockages. Whilst there is scope to absorb overspends at an individual project level by transferring resources within the overall capital budget envelope, in the end these pressures mean that the capital programme will deliver less than originally anticipated.

External factors

- 2.12 The Covid-19 pandemic shows how vulnerable the Council is to external factors. The corporate risk register includes risks relating to (a) major emergencies such as a new pandemic and (b) a resurgence of the current Covid-19 pandemic and this has been mirrored in the Budget Risk Register.
- 2.13 As already indicated above in relation to the capital programme, inflation poses a risk to the Council's budget over the medium term. The neutral MTFS revenue projections assume that the Bank of England will be able to deliver its 2% inflation target over the medium term. If this target is exceeded, it will have an impact, particularly if the Council Tax referendum limit remains at 2%, thus constraining the Council's ability to pass on increases in input costs
- 2.14 Appendix A sets out the budget risks in the form of a Risk Matrix and Risk Register. Additionally, at the Committee's request, the possible monetary impact of the risks has been indicated. Note that it is very difficult to quantify the financial impact of risks in precise terms. The information is provided simply to give an indication of the order of the risks' financial magnitude. The information is also set out in the form of a bar chart.

- 2.15 Given the relatively short period of time since the previous report to Committee, and the absence of major changes in the risk factors identified, no changes to risk levels are reflected in the attached appendix.
- 2.16 Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.
-

3. AVAILABLE OPTIONS

- 3.1 Option 1 - The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Council's service planning and/or be reflected in the developing Medium Term Financial Strategy.
- 3.2 Option 2 - The Committee notes the risk assessment set out in this report and makes no further recommendations.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 2 – It is recommended that the Committee notes the risk assessment.
-

5. RISK

- 5.1 Risk is addressed throughout this report so no further commentary is required here.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Each year the council as part of the development of the MTFS and the budget carries out consultation on the priorities and spending of the council. A Residents' Survey will be completed for the 2022/23 budget and the results will be reported to Service Committees as part of the budget setting process.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.
-

8. REPORT APPENDICES

The following document is to be published with this report and forms part of the report:

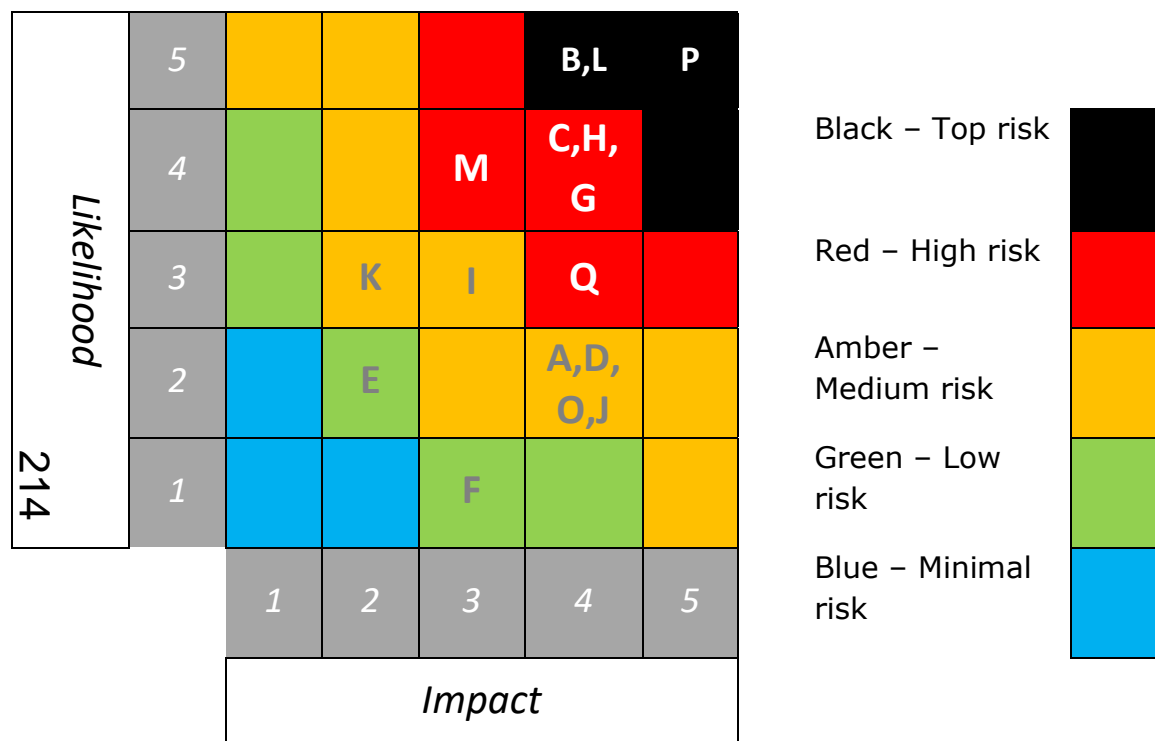
- Appendix A: Budget Strategy Risks
-

9. BACKGROUND PAPERS

None.

Budget Strategy Risks

The risk matrix below provides a summary of the key budget risks. The risk register that follows provides more detail.

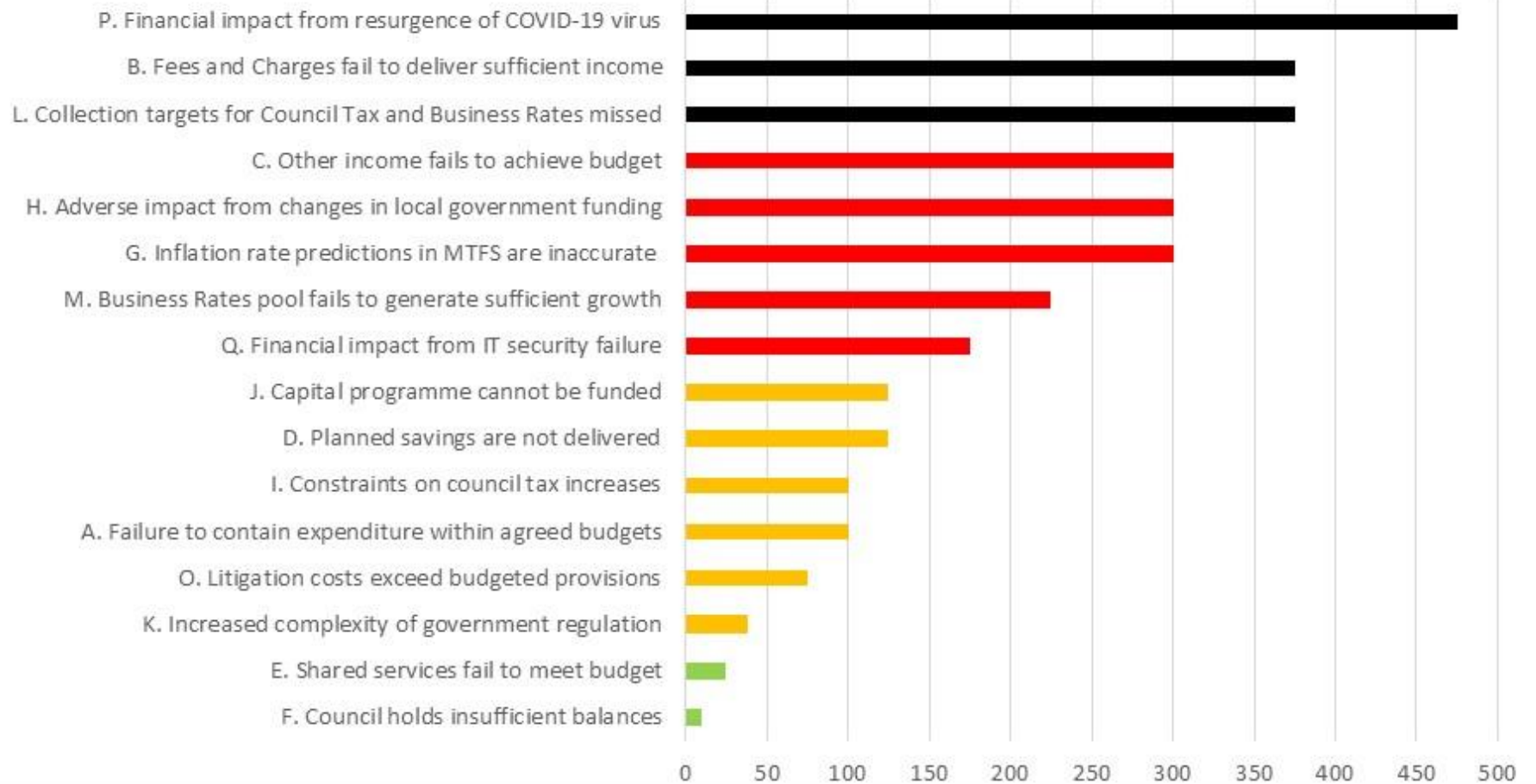


A. Failure to contain expenditure within agreed budgets	I. Constraints on council tax increases
B. Fees and Charges fail to deliver sufficient income	J. Capital programme cannot be funded
C. Other income fails to achieve budget	K. Increased complexity of government regulation
D. Planned savings are not delivered	L. Collection targets for Council Tax and Business Rates missed
E. Shared services fail to meet budget	M. Business Rates pool fails to generate sufficient growth
F. Council holds insufficient balances	O. Litigation costs exceed budgeted provisions
G. Inflation rate predictions in MTFS are inaccurate	P. Financial impact from a resurgence of Covid-19
H. Adverse impact from changes in local government funding	Q. Financial impact from IT security failure

The budget risks may be ranked, based on the scores shown below, as follows:

Risk	Ranking	Financial impact (in any one financial year)				
		Lower	Upper	Mid-point	Likelihood	Weighted
		£000	£000	£000	%	£000
P. Financial impact from resurgence of COVID-19 virus	1	250	750	500	95	475
B. Fees and Charges fail to deliver sufficient income	2=	200	600	400	95	380
L. Collection targets for Council Tax and Business Rates missed	2=	200	600	400	95	380
C. Other income fails to achieve budget	4=	200	600	400	75	300
G. Inflation rate predictions in MTFS are inaccurate	4=	200	600	400	75	300
H. Adverse impact from changes in local government	4=	100	900	400	75	300
N Funding						
M. Business Rates pool fails to generate sufficient growth	8	150	450	300	75	225
Q. Financial impact from IT security failure	9	100	600	350	50	175
J. Capital programme cannot be funded	10=	250	750	500	25	125
D. Planned savings are not delivered	10=	250	750	500	25	125
A. Failure to contain expenditure within agreed budgets	12=	200	600	400	25	100
I. Constraints on council tax increases	12=	100	300	200	50	100
O. Litigation costs exceed budgeted provisions	13	100	500	300	25	75
K. Increased complexity of government regulation	14	50	100	75	50	38
E. Shared services fail to meet budget	15	50	150	100	25	25
F. Council holds insufficient balances	16	100	300	200	5	10

Chart - Budget risks



Budget Strategy Risk Register

The following risk register sets out the key risks to the budget strategy. The register sets out the consequences of each risk and the existing controls in place.

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
217	A Failure to contain expenditure within agreed budgets The Council overspends overall against its agreed budget for the year	Failure to meet the budget makes it more likely that the Council will have to rely on short term expedients to balance the budget from year to year, rather than following a coherent long term strategy.	<ul style="list-style-type: none"> - Embedded and well established budget setting process - Medium Term Financial Strategy - Balanced budget agreed by Council for 2021/22. - Strong controls over expenditure and established process for recovering from overspends 	4	2	8
	B Fees & Charges fail to deliver sufficient income Fee charging services may be affected if there is a downturn in the economy, resulting in Fees and Charges failing to deliver the expected level of income.	The total value of all Council income from fees and charges is around £20 million. A loss of income for service budgets will require restrictions on expenditure levels and delivery of all objectives may not be met.	<ul style="list-style-type: none"> - Fees and charges are reviewed each year, paying careful attention to the relevant market conditions - Where the Council is operating in a competitive market, the aim is to ensure price sensitivity does not lead to a loss of income. - Procedures are in place to ensure that fees and charges are billed promptly (or in advance) and that collection is maximised. 	4	5	20
C	Other income fails to achieve budget In addition to fees and charges, the Council relies on other income from capital investment, which may not deliver the expected level of income.	The medium term financial strategy includes a contribution from investment opportunities, so any shortfall would have an impact on the overall strategy. Income generation from investment activities supports the revenue budget and is required in ordered to pay back capital investment.	<ul style="list-style-type: none"> - The Council set aside a provision of £0.5m against losses from activities that do not deliver. This provision is cash limited but available to cover short term losses. - Individual risks associated with specific projects within the capital strategy will be assessed, both as part of the project 	4	4	16

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
			appraisal process and during the course of delivering the projects.			
D	Planned savings are not delivered Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget	<p>The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence on managing financial viability of the organisation.</p> <p>Not achieving savings will impact the overall delivery of the Medium Term Financial Strategy and would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>- The risks associated with delivery of savings proposed in the current Medium Term Financial Strategy have been reviewed as part of the budget setting process.</p> <p>- Savings proposals are separately identified and monitored in the Council's general ledger.</p> <p>- The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees.</p>	4	2	8
218 E	Shared Services Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.	<p>Failure of a shared service to manage within the existing budget will have the same consequences as for any overspending budget, ie it would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>The arrangements governing shared services include a number of controls that minimise the risk of budget overspends and service failure, including quarterly reporting to a Shared Service Board comprising representatives of the authorities involved. The shared services are required to report regularly on financial performance and key indicators.</p>	2	2	4
F	Insufficient Balances Minimum balance is insufficient to cover unexpected events OR Minimum balances exceed the real need and resources are held without identified purpose with low investment returns	<p>Additional resources would be needed which would result in immediate budget reductions or use of earmarked reserves.</p> <p>The Council would not gain best value from its resources as Investment returns are low in the current market.</p>	<p>- The Council has set a lower limit below which General Fund balances cannot fall of £4 million.</p> <p>- At the beginning of the 2021/22 financial year unallocated General Fund reserves stood at £9.2 million.</p>	3	1	3
G	Inflation rate predications in MTFS are inaccurate	<p>Unexpected rises will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p>	<p>- Allowances for inflation are developed from three key threads:</p>	4	4	16

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	Actual levels are significantly above or below prediction	Services have supported the budget strategy through savings. Levels below those expected would result in an increase in balances or unused resources that could be used to achieve strategic priorities.	<ul style="list-style-type: none"> The advice and knowledge of professional employees The data available from national projections An assessment of past experience both locally and nationally <p>- MTFS inflation projections are based on the government's 2% inflation target.</p>			
219 ^H	<p>Adverse impact from changes in local government funding</p> <p>The financial implications of the new local government funding regime, now unlikely to be introduced until 2022/23, remain unclear.</p>	The Council no longer receives Revenue Support Grant (RSG), but the amount of Business Rates that it retains depends on the funding regime set by central government.	<p>- The Medium Term Financial Strategy to 2025/26 includes an adverse scenario which allows for a significant impact on the Council's resources,</p> <p>- The Council has developed other sources of income to ensure it can maximise its resources while dealing with the consequences of government strategy.</p>	4	4	16
I	<p>Constraints on council tax increases</p> <p>The limit on Council Tax increases means that the Council must manage expenditure pressures even if these potentially give rise to cost increases greater than the referendum limit.</p>	The limit on Council Tax increases means that additional pressures, such as those arising from providing temporary accommodation, have to be absorbed by making savings elsewhere.	<p>- The budget for 2021/22 incorporates a Council Tax increase of 2%.</p> <p>- Budget planning is based around the assumption of ongoing 2% increases in subsequent years.</p>	3	3	9
J	<p>Capital Programme cannot be funded</p> <p>Reduction or total loss of funding sources means that the capital programme cannot be delivered</p>	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> Internal borrowing PWLB borrowing New Homes Bonus Capital Grants Developer contributions (\$106) 	<p>- Council has been able to fund the capital programme without recourse to borrowing so far,</p> <p>- Council has confirmed in the past that borrowing is acceptable if it meets the prudential criteria.</p>	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		A reduction in this funding will mean that future schemes cannot be delivered.	- Local authorities continue to be able to access borrowing at relatively low cost through the Public Works Loan Board but there is a risk that this may be subject to restrictions in future.			
K	Increased volume and complexity of government regulation Covid-19 and the range of government support for local authorities and the community have led to a rapid increase in the volume and complexity of reporting and regulation.	Scaling up administrative resources to address the increased volume and complexity of reporting and regulation may divert attention from other priorities. Ultimately, failure to comply with new regulatory requirements could pose financial and reputational risk for the Council.	- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents. - Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.	2	3	6
220 L	Business Rates & Council Tax collection Council fails to maintain collection targets for business rates and council tax	Failure to achieve collection targets will reduce the level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected. Business rates amount to around £60 million in 2021/22 and Council Tax due amounts to around £120 million.	- The Council has a good track record of business rates and Council Tax collection. - Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc. - Nonetheless, Covid-19 has led to a reduction in collection rates, particularly in relation to business rates.	4	5	20
M	Business Rates pool Changes to rateable value (RV) or instability of business rates growth within the pool may not generate projected levels of income	Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.	- The pool is monitored quarterly Kent wide and Maidstone is the administering authority. The projected benefit of the pool across Kent as a whole is projected to be around £12m in 2021/22. - Provisions have been made when projecting business rates income for bad debts and losses on	3	4	12

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
			appeal so any loss of income would relate to the excess over the provisions already made.			
O	Litigation costs exceed budgeted provisions. The Council is often engaged in litigation and generally the costs of any award against the Council and associated costs of legal advice can be met from within budgets. However, it is prudent to acknowledge the risk that provisions may not in fact be sufficient to cover all likely costs.	Costs in excess of budget would require a drawing on reserves and the identification of savings in subsequent years in order to replenish the level of reserves.	<ul style="list-style-type: none"> - Corporate Leadership Team is updated regularly on outstanding legal cases. - Appropriate professional advice is taken at all times. 	4	2	8
221 _P	Financial impact from a resurgence of COVID-19 A resurgence of the pandemic would see similar impact to those experienced in the first wave, eg reduction in fees and charges income arising from lower levels of economic activity and the effect of a broad reduction in economic growth on public finances.	In the short term the Council would need to draw on reserves to cover the financial costs, but in the longer term savings would be required to replenish reserves.	<ul style="list-style-type: none"> - Senior officer group mobilised to address short term impacts - Mitigations to be developed over longer term 	5	5	25
Q	Financial impact from IT security failure Local authorities have been subject to cyber attacks over the past few years, often with severe financial and service implications.	The Council might have to suspend normal financial transactions for a period of time.	<ul style="list-style-type: none"> - Anti-virus software - Regular communications with staff to warn about risks - Back-up arrangements with neighbouring authorities 	4	3	12

Impact & Likelihood Scales

RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law punishable by imprisonment or significant fines	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries		Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (4)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history