

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Monday 24 July 2023
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Bartlett (Vice-Chairman), Coulling (Parish Representative), Cox (Chairman), Forecast, Jones, Kimmance, Knatchbull, Titchener (Parish Representative), Trzebinski, Wilby and D Wilkinson

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.

<u>AGENDA</u>	<u>Page No.</u>
1. Apologies for Absence	
2. Notification of Substitute Members	
3. Urgent Items	
4. Notification of Visiting Members	
5. Disclosures by Members and Officers	
6. Disclosures of Lobbying	
7. To consider whether any items should be taken in private because of the possible disclosure of exempt information	
8. Minutes of the meeting held on 13 March 2023 - to follow	
9. Any Questions on Notice from Local Residents	
10. Any Questions on Notice from Members	
11. Committee Work Programme 2023/24	1 - 2
12. Internal Audit Report and Annual Audit Opinion 2022/23	3 - 25
13. Annual Governance Statement 2022/23	26 - 58
14. External Audit 2021/22	59 - 97
15. Draft Annual Accounts 2022/23	98 - 196

Issued on Friday 14 July 2023

Continued Over/:

Alison Broom

Alison Broom, Chief Executive

16. Treasury Management Annual Review 2022/23	197 - 205
17. Independent Member	206 - 212
18. Budget Strategy - Risk Assessment Update	213 - 229

INFORMATION FOR THE PUBLIC

In order to ask a question at this meeting, 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 20 July 2023). 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 4 p.m. one clear working day before the meeting (i.e. by 4 p.m. on Thursday 20 July 2023). You will need to tell us which agenda item you wish to speak on.

If you require this information in an alternative format please contact us, call **01622 602899** or email committee@maidstone.gov.uk.

To find out more about the work of the Committee, please visit the [Council's Website](#).

2023/24 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Annual Governance Statement	AGS	24-Jul-23	Governance	No	Angela Woodhouse	Angela Woodhouse
Annual Internal Audit Report and Opinion 2022/23	AGS	24-Jul-23	Governance	Yes	Katherine Woodward	Katherine Woodward
External Audit 2021/22	AGS	24-Jul-23	Governance	No	Mark Green	Mark Green
Draft Annual Accounts 2022/23	AGS	24-Jul-23	Governance	No	Mark Green	Paul Holland
Treasury Management Annual Review 2022/23	AGS	24-Jul-23	Governance	No	Mark Green	John Owen
Independent Member	AGS	24-Jul-23	Governance	No	Mark Green	Mark Green
Budget Strategy Risk Assessment Update	AGS	24-Jul-23	Officer Update	No	Mark Green	Mark Green
Update on Kent Model Code of Conduct	AGS	25-Sep-23	Governance	No	Claudette Valmond	Robin Harris
Code of Conduct Matters - Six Month Update	AGS	25-Sep-23	Officer Update	No	Claudette Valmond	Russell Fitzpatrick
Housing Benefit Subsidy Claim 2021/22	AGS	25-Sep-23	Governance	No	Georgia Hawkes	Zoe Kent
Fraud and Compliance Team Update	AGS	25-Sep-23	Officer Update	No	Georgia Hawkes	Zoe Kent
Updated Risk Framework	AGS	25-Sep-23	Officer Update	Yes	Katherine Woodward	Katherine Woodward
AGS Committee Annual Report 2022/23	AGS	25-Sep-23	Governance	No	Katherine Woodward	Katherine Woodward
Final Statement of Accounts 2022/23	AGS	25-Sep-23	Governance	No	Mark Green	Paul Holland
External Auditor's Audit Plan 2022/23	AGS	25-Sep-23	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	25-Sep-23	Officer Update	No	Mark Green	Mark Green
Information Governance Annual Report	AGS	13-Nov-23	Officer Update	No	Angela Woodhouse	Anna Collier/Georgia Harvey

2023/24 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Annual Governance Statement Mid-Year Update and Update of Local Code of Corporate Governance	AGS	13-Nov-23	Governance	Yes	Angela Woodhouse	Angela Woodhouse
Internal Audit Interim Report 2023/24	AGS	13-Nov-23	Governance	No	Katherine Woodward	Katherine Woodward
Treasury Management Mid-Year Review 2023/24	AGS	13-Nov-23	Governance	No	Mark Green	John Owen
External Auditor's Progress Report and Sector Update	AGS	13-Nov-23	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	13-Nov-23	Officer Update	No	Mark Green	Mark Green
Housing Benefit Subsidy Claim 2022/23	AGS	15-Jan-24	Governance	No	Georgia Hawkes	Zoe Kent
Fraud and Compliance Team Update	AGS	15-Jan-24	Officer Update	No	Georgia Hawkes	Zoe Kent
Treasury Management, Investment and Capital Strategies 2024/25	AGS	15-Jan-24	Strategy Update	No	Mark Green	John Owen
External Auditor's Annual Report	AGS	15-Jan-24	Governance	No	Mark Green	Paul Holland
External Auditor's Progress Report and Sector Update	AGS	15-Jan-24	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	15-Jan-24	Officer Update	No	Mark Green	Mark Green
Code of Conduct Matters - Six Month Update	AGS	11-Mar-24	Officer Update	No	Claudette Valmond	Russell Fitzpatrick
Annual Risk Management Report 2023/24	AGS	11-Mar-24	Governance	Yes	Katherine Woodward	Katherine Woodward
Internal Audit Charter Update	AGS	11-Mar-24	Governance	No	Katherine Woodward	Katherine Woodward
Internal Audit and Assurance Plan 2024/25	AGS	11-Mar-24	Governance	No	Katherine Woodward	Katherine Woodward
External Auditor's Progress Report and Sector Update	AGS	11-Mar-24	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	11-Mar-24	Officer Update	No	Mark Green	Mark Green

Audit, Governance and Standards Committee

24 July 2023

Internal Audit Report and Annual Audit Opinion 2022/23

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Katherine Woodward – Head of Mid Kent Audit Partnership
Lead Officer and Report Author	Katherine Woodward – Head of Mid Kent Audit Partnership
Classification	Public
Wards affected	All

Executive Summary

The Annual Internal Audit report includes the Head of Audit Partnership’s overall opinion on the Council’s internal control, risk management and governance for the year ended 31 March 2022. Based on the work completed, as summarised in the report, the opinion is positive and informs the Council’s Annual Governance Statement.

Purpose of Report

Noting

This report makes the following recommendations to this Committee:

1. That the Head of Audit Partnership’s opinion be noted.

2. That the work underlying the opinion and the Head of Audit Partnership’s assurance of its independent completion in conformance with proper Standards be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	24 July 2023

Internal Audit Report and Annual Audit Opinion 2022/23

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 or cross cutting objectives. However, they will support the Council's overall achievement of its aims by contributing to effective corporate governance.	Katherine Woodward – Head of Mid Kent Audit Partnership
Cross Cutting Objectives		
Risk Management		
Financial		
Staffing		
Legal	This report fulfils the Council's responsibility under the Accounts & Audit Regulations 2015 for maintaining an effective internal audit.	Katherine Woodward – Head of Mid Kent Audit Partnership
Privacy and Data Protection	All information collected by the service was handled in line with the data protection policy of Maidstone BC, as the service's host authority	
Equalities	There are no direct equalities implications associated with this report.	
Public Health	There are no direct public health implications associated with this report.	
Crime and Disorder	There are no direct crime and disorder implications associated with this report.	
Procurement	Completing the plan involved procurement of services from an external contractor.	

Biodiversity and Climate Change	There are no direct biodiversity and climate change implications associated with this report.	
--	---	--

2. INTRODUCTION AND BACKGROUND

- 2.1 Internal audit is a compulsory service for authorities as set out by Regulation 5 of the Accounts and Audit Regulations 2015. The principal objective of internal audit as described in that Regulation is: “[to] undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking into account public sector internal auditing standards and guidance”.
- 2.2 This report delivers the Head of Internal Audit annual reporting directed by the Public Sector Internal Audit Standards (the “Standards”). The report includes the Head of Audit Partnership’s annual opinion on the overall adequacy and effectiveness of the Council’s framework of governance, risk management and control.
- 2.3 The Standards, in particular Standard 2450 (Overall Opinions) direct the annual report to include:
- The annual audit opinion
 - A summary of work completed that supports the opinion, and
 - A statement on conformation with Standards
- 2.4 We have completed the work set out in the plan in full conformance with the Standards. We have also worked independently, free from undue influence of either officers or Members.

3. Preferred Options and Reasons for Recommendations

- 3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in place during 2022/23. The Committee is asked to note this opinion.
- 3.2 The full Annual Report for 2022/23 is attached as an Appendix. This report includes a summary of all work conducted to support the opinion and affirms the independence and effectiveness of the internal audit service.
- 3.3 We present the opinion and associated report for noting and for Members to consider alongside their evaluation of associated year end reports into the Council’s finance and governance. This report does not seek any substantive decision or action from the Council as a direct result.

4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 4.1 We consult and agree with relevant Heads of Service before finishing all findings and recommendations arising from individual audit engagements. The headline messages in our report have been discussed with the

Management Board and have been shared to help prepare the Annual Governance Statement.

5 REPORT APPENDICES

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

- Appendix 1: Internal Audit Annual Report and Opinion 2022/23
-

6 BACKGROUND PAPERS

6.1 Full reports which support the audit engagements summarised in this annual report are available

**Internal Audit Report &
Annual Audit Opinion
2022/23**

**Maidstone Borough
Council**



MID KENT AUDIT

Introduction

1. This is the 2022/23 Annual Report by Mid Kent Audit on the internal control environment at Maidstone Borough Council ('the Council'). The annual internal audit report summaries the outcomes of the reviews that have carried out on the Council's framework of governance, risk management and internal control and is designed to assist the Council making its annual governance statement.
2. This report provides the annual head of audit opinion ('Opinion statement') and a summary of the key factors taken into consideration in arriving at the Head of Audit Opinion statement, as at 31 May 2023.

Head of Internal Audit Opinion statement

3. The Head of Audit Opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within the agreed work programme. For risks not directly examined reliance has been taken, where appropriate, from other associated sources of assurance to support the Opinion statement (an explanatory note is included at Annex A).
4. The Head of Audit Opinion statement for 2022/23 is:

The planned programme of work delivered by internal audit was constrained by significant staffing vacancies and changes within the internal audit team. The results of the reduced level of internal audit work concluded during the year required me to seek additional assurances to form my opinion. A summary of where it has been possible to place reliance on the work of other assurance providers is presented in the annual internal audit report. Utilising all these forms of assurance I am able to draw a positive conclusion as to the adequacy and effectiveness of Maidstone Borough Council's risk management, control and governance processes. In my opinion, Maidstone Borough Council has adequate and effective management, control and governance processes in place to manage the achievement of their objectives.

MID KENT AUDIT

Matters impacting upon the Opinion statement

5. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. Consequently, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
6. Mid Kent Audit recognises the considerable financial challenges and the difficult decisions that the Council had to deal with during 2022/23, however, the professional and regulatory expectations on public bodies to ensure that their internal audit arrangements, including providing the annual Opinion statement, conform with the Public Sector Internal Audit Standards (PSIAS) have not changed.
7. Factors that need to be taken in to account in reaching the Opinion statement include:
 - Changes in ways of working: Have these led to gaps in the governance, risk management and control arrangements?
 - Independence of internal audit: Have any limitations in the scope of individual audit assignments resulted in it only being possible to place partial assurance on the outcome?
 - Internal audit coverage: Has any reduction in internal audit coverage compared to what was planned resulted in insufficient assurance work?

Changes in ways of working

8. The following are the main considerations which impacted upon the provision of the Opinion statement for 2022/23. These are not in any priority order and in a number of cases there is an inter-relationship between two or more of these considerations.
 - Remote working and greater use of digital forms of operation and communication has now been in place for two years following the rapid

MID KENT AUDIT

introduction during the pandemic. This change in ways of working is now becoming normalised and adaptations are being managed.

- Diverting staff resources and changing priorities during the pandemic has had an impact in the subsequent years on service delivery. Recovery plans have been effective, but some areas have required a longer period of recovery than others.
- The significant increase in cyber-attacks against all organisations to obtain unauthorised access to data and the consequential need for ongoing updating and vigilance in terms of security of data held.

Independence of internal audit

9. 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 the service under a collaboration agreement.
10. Within the Council during 2022/23 Mid Kent Audit has continued to enjoy complete and unfettered access to officers and records to complete its work. On no occasion have officers or Members sought or gained undue influence over the scope or findings of any of the work carried out.

Internal audit coverage

11. Mid Kent Audit has experienced significant turnover of staff throughout the financial year, including the appointment of an interim Head of Audit and an interim Deputy Head of Audit for part of the year. There was also the departure of both Audit Managers towards the end of the year. The permanent Head of Audit Partnership started in December 2022 and no further recruitment was undertaken until very recently while an assessment of the current structure was undertaken. It is acknowledged that a significant level of local knowledge and experience of the Council was lost during the year.
12. The Council's Audit Committee approved the 2022/23 Audit & Assurance Plan on 14 March 2022. The selection, prioritising and scoping of the audit reviews in this Plan was overseen by the Interim Head of the Audit Partnership.
13. There has been impairment in terms of the planned internal audit coverage for 2022/23. This has been due to the knock-on effect of the late completion of the 2021/22 planned work and the significant churn in terms of staff within Mid Kent Audit. There were also a number of reviews which have either been deferred or cancelled. As a consequence a number of the audit reviews set



MID KENT AUDIT

out in the 2022/23 Internal Audit Plan have not been completed in time to inform the 2022/23 Opinion Statement. This is a timing matter, rather than systematic of any issue in respect to the Council's governance, risk and control framework. The team at Mid Kent Audit has worked diligently at the delivering the work and this timing issue is not a reflection upon the efforts of the current team.

Arriving at the Opinion statement

Reliance on internal audit work performed

14. Audit evidence to support the Opinion statement on internal control is derived principally through completing the reviews set out within the agreed Audit Plan. The 2022/23 Audit & Assurance Plan provided for 17 reviews to be carried out.
15. For the reasons explained in paragraph 13, above, only 8 of these reviews were completed in time to inform the 2022/23 Opinion statement. Five reviews are currently underway. These reviews are shown in the table below. There were no Priority 1 (Critical) Actions which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority.

Audit Review	Assurance rating	Number of Actions by Priority Rating			
		Critical	High	Medium	Low
Business Continuity	Sound		1	2	3
Property Acquisition and Disposal	Sound			2	
Workforce Planning	Sound			1	
Crematorium	Sound			2	3
Planning Performance Agreements	Not Assessed			4	
IT Project Management	Strong				2
Discretionary Housing Payments	Sound			2	4
Food Safety	Sound			1	4

MID KENT AUDIT

16. A summary of the Assurance and Action priority level definitions is provided in Annex B.
17. An overview of the key findings from each of the finalised reviews for which details have not been previously provided in the 2022/23 Progress Report to the Audit Committee is provided in Annex C. These finding do not indicate any significant Council-wide weaknesses in the corporate governance, risk or control framework.
18. A reconciliation to the work performed to the approved Audit & Assurance Plan for 2022/23 is provided in Annex D.
19. Where appropriate, reliance has been placed upon previous internal audit work and other work performed by Mid Kent Audit, including:
 - The unqualified 2021/22 Head of Audit Opinion and the findings of previous years' internal audit work carried out (paras 20 below refers).
 - The outcomes of the follow up work carried out to confirm control weaknesses identified by internal audit have been effectively mitigated (paras 21 - 22 below refers).
 - The outcomes of other work performed by Mid Kent Audit for the Council (para 23 below refers).
20. **Previous years' internal audit work:** The unqualified opinion Internal Audit Report for 2021/22 advised that there were three audit review carried out by Mid Kent Audit during the financial year where there were assurance assessments of 'Weak' or 'Poor'.
21. **Following up Actions:** Actions are made in the audit reports to further strengthen the control environment in the area reviewed. Management provide responses as to how the risk identified is to be mitigated. Throughout the year Mid Kent Audit carried out checks to ascertain the extent to which the agreed Actions had been addressed by management and that the risk exposure identified has been mitigated.
22. During 2022/23, 37 Actions were followed up and the table below summarises the extent to which the identified risk exposure have been mitigated. These 37 Actions include all those either made in 2021/22, or carried forward from a

MID KENT AUDIT

previous financial year. There were no Priority 1 (Critical) and 6 Priority 2 (High) Actions and as set out below.

Extent of control risk mitigation	Number of Actions by Priority Rating			
	Critical	High	Medium	Low
Opening Number	-	6	20	25
Current Status: Cleared		5	9	23
Not yet actioned		1	11	2

23. **Outcomes of other work carried out by Mid Kent Audit:** Work was carried out on the Section 31 Grant Determination 31/6499 Biodiversity Net Gain certification. The Head of the Audit Partnership reviewed the certification completed by the council on grant spend and provided a signed assurance confirming it was in line with the guidance.

Reliance on other sources of assurance

24. For the reasons set out earlier in the Report it has been necessary for 2022/23 to place some reliance upon a number of 'other assurance providers' and these are summarised below:
- Cyber Health Check undertaken by Zurich (para 25 refers).
 - Covid 19 Business Grant assurance schemes (para 26 refers)
 - Environment Agency Audit of Hazardous Waste and Environmental permits (para 27 refers).
 - Federation of Burial and Cremation Authorities inspection and Emissions testing report (para 28 refers)
25. Cyber Risk Consultants, Zurich Resilience Solutions conducted a Cybersecurity Health Check of the Mid Kent Shared IT Service: 'Public Services Network Code of Connections Internal Security Report and an External Security Report'. The Council was graded as 'Good' and the organisations cyber maturity is better than 80% of other council's in the UK which have been assessed. There were a number of recommendations made that have been incorporated into an action plan which is being reviewed by the IT team and Internal Audit.

MID KENT AUDIT

26. Post payment assurance work following the completion of the Covid 19 business grant schemes has been signed off by the Department for Business, Energy and Industrial Strategy (BEIS) and checked and verified by the National Audit Office (NAO), concluding that “the evidence submitted by Maidstone Borough Council has followed an appropriate and robust process in completing the minimum assurance checks when awarding and paying a grant”.
27. The Environment Agency conduct Annual inspection audits based on the Hazardous Waste Regulations 2005 and the Environmental Permitting Regulations to ensure compliance of how we store and dispose of waste materials. There were no areas of noncompliance identified during these audits.
28. The Federation of Burial and cremation Authorities have conducted an inspection and Emissions testing review which is undertaken every 5 years. The Crematorium scored a 92% Compliance score and a 71% Environmental Awareness score which are both in line with industry standards. An improvement plan has been created which Internal audit will monitor the progress of improvements throughout the course of the year.

MKA

29. Information on Mid Kent Audit which supports the delivery of the internal audit and other work carried out in the financial year is summarised in Annex E. Overall, despite the significant staffing changes during the year, Mid Kent Audit has maintained a PSIAS compliant service and there has been no diminution in the robustness of the work performed.

Acknowledgements

30. Managers, Officers and Members are thanked for their continued support throughout the year which has assisted in the efficient delivery of the audit work



MID KENT AUDIT

Annex A

Other Sources of assurance for 2022/23

The corporate governance, risk and control framework

The corporate governance, risk and control framework for the Council is dynamic and there will be changes to the processes throughout the year. The key consideration for arriving at the annual Head of Audit Opinion is the materiality of any changes in terms of possibly increasing the exposure of the Council to activities and decisions which do not conform with the approved strategies and policies.

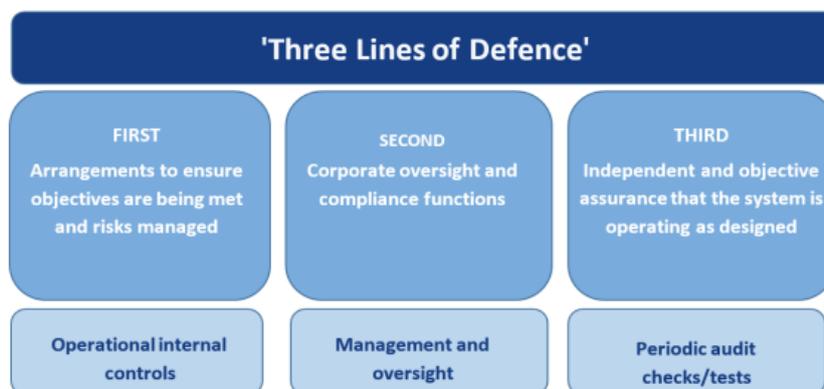
Obtaining additional sources of assurance

During the COVID Pandemic CIPFA provided guidance on utilising other forms of assurance to support arriving at a Head of Audit Opinion. This means that where the agreed internal audit plan of work has not been fully carried out additional assurances can be obtained from 'other assurance providers' (this being the CIPFA terminology).

Three lines of defence

The three lines of defence model, below, explains how the level of assurance that can be taken by the Head of Audit reduces if the source of assurance is from the second line of defence and reduces even further if it is from the third line of defence.

As a consequence the additional assurance utilised to assist in supporting the 2022/23 Head of Audit Opinion has only relied upon second line of defence sources of assurance (i.e. where the author is not directly involved in the day-to-day operation of the corporate governance, risk and control arrangements they are reporting upon).



MID KENT AUDIT

Reduction in reliance due to passage of time

Due to the dynamic nature of the corporate governance, risk and control framework for the Council the reliance which can be placed on forms of assurance reduces as time passes. This has particularly been the case over the last two financial years with all the short-notice changes that were made to respond to the business disruption due to the COVID 19 pandemic. As a consequence the additional assurance placed on work carried out prior to the start of 2022/23 has been kept to a minimum.



MID KENT AUDIT

Annex B

Assurance and priority level definitions

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>

MID KENT AUDIT

Finding, Recommendation and Action Ratings

Priority 1 (Critical) – To address a finding which affects (negatively) the risk rating assigned to a Council strategic risk or seriously impairs its ability to achieve a key priority. Priority 1 recommendations are likely to require immediate remedial action. Priority 1 recommendations also describe actions the authority **must** take without delay.

Priority 2 (High) – To address a finding which impacts a strategic risk or key priority, which makes achievement of the Council’s aims more challenging but not necessarily cause severe impediment. This would also normally be the priority assigned to recommendations that address a finding that the Council is in (actual or potential) breach of a legal responsibility, unless the consequences of non-compliance are severe. Priority 2 recommendations are likely to require remedial action at the next available opportunity, or as soon as is practical. Priority 2 recommendations also describe actions the authority **must** take.

Priority 3 (Medium) – To address a finding where the Council is in (actual or potential) breach of its own policy or a less prominent legal responsibility but does not impact directly on a strategic risk or key priority. There will often be mitigating controls that, at least to some extent, limit impact. Priority 3 recommendations are likely to require remedial action within six months to a year. Priority 3 recommendations describe actions the authority **should** take.

Priority 4 (Low) – To address a finding where the Council is in (actual or potential) breach of its own policy but no legal responsibility and where there is trivial, if any, impact on strategic risks or key priorities. There will usually be mitigating controls to limit impact. Priority 4 recommendations are likely to require remedial action within the year. Priority 4 recommendations generally describe actions the authority **could** take.

Advisory – We will include in the report notes drawn from our experience across the partner authorities where the service has opportunities to improve. These will be included for the service to consider and not be subject to formal follow up process.



Summary of Audit Findings

Workforce Planning (MKS)

Sound

We found that Workforce Strategies for both Councils (Swale and Maidstone) reflect strategic and corporate plans, and that their development and content reflect current best practice. This included effective liaison with officers to determine current and future workforce needs. That said, Maidstone Borough Council's workforce strategy needs updating, having covered the period 2016-20.

Actions defined within workforce strategies and those taken to support the workforce are based on sound information from a variety of sources. This includes provision of a comprehensive Learning & Development Plan aimed at supporting the workforce and cultivating talent so that future workforce needs can be met from within. We could see progress against defined actions, as well as reactive workforce planning taken in response to changes to the internal and external environment. This demonstrates that actions are not limited to those documented in long term strategies.

We note that while workforce strategies are approved at Committee level, reports around progress are not required at this level for either Council. Current oversight is achieved through quarterly reporting to, and regular liaison with senior management.

IT Project Management

Strong

Our audit looked at the project management governance and procedures that are in place for ICT Project Management. This included assessing the terms of reference and operation of the JCG as well as assessing how arising actions are tracked. As part of this, we assessed two of the meeting minutes from July 2022 and September 2022 and noted that the JCG is operating effectively with regards to tracking actions arising from ICT projects.

Proceeding with a project must go through both an acknowledgement and approval process. Acknowledgment of a project is done to demonstrate that the relevant request is a project and not an aspirational idea. This is done by having a set of achievable outcomes in addition to having a set series of tasks associated with the project. Approval of the project is done when the relevant delivery plan is in place within Wrike

MID KENT AUDIT

and is displayed through a Gantt chart detailing the necessary steps for the delivery of the project. While acknowledgement and approval was conducted for customer facing projects, this was not the case for infrastructure projects which go through a more streamlined process due to the type of work involved.

As part of our testing, we assessed a sample of five ICT projects to determine whether they were commissioned and monitored in line with expectations. This included assessing whether value for money was being achieved. During our testing we noted that these projects were commissioned and monitored in line with expectations and any cost implications of a project would be assessed during the initial stages through ensuring that it had the appropriate level of funding and financial backing from the project sponsor. Furthermore, infrastructure projects bring value through the work that is conducted, for instance the Outlook mailbox migration allows for a better end user experience.

Discretionary Housing Payments

Sound

Discretionary Housing Payments (DHPs) are administered by the Revenues and Benefits Team. This operates across Maidstone and Tunbridge Wells Borough Councils.

Our testing found that controls were generally well designed and operated. However, we found a lack of internal procedure notes around two key areas of Quality Assurance, and Management Approval of High Value Claims (over £2,000).

In relation to Quality Assurance the Service had no written guidelines explaining the purpose, parameters and method of quality assurance checks. Where parameter changes had taken place, we were unable to obtain written senior management approvals of such.

For High Value Claims, whilst an operational procedure for the management approval of these claims was verbally recognised within the team, we found approvals were not always sought in practice. Where approvals had been sought, information evidencing these was not retained in a shared area, as per the procedure.

Policy, recommended guidance, and established operational processes, were generally followed. However, minor administrative inconsistencies - presenting opportunity for improvement - were noted across all controls.



MID KENT AUDIT

Food Safety

Sound

The audit confirmed that the team have sufficient controls in place to implement the food hygiene rating system in accordance with the Food law code of practice (England). We confirmed that the service followed the FSA Local Authority Recovery Plan guidance to prioritise inspections during the recovery phase and review of an outstanding inspections report verified that the team are now caught up with routine inspections. Testing confirmed that the majority or newly registered business had been inspected within the required time scales. Officers are suitably trained and ongoing CPD arrangements are in place to maintain competencies. In addition there are adequate procedures in place to deal with complaints and appeals.

However, there are areas where improvements could be made, particularly around record keeping. In addition there is a need for standard operating procedures be reviewed and updated as the audit identified instances where documented procedures do not align to current working practices.

Business Continuity

Sound

The Council has an approved and up-to-date Business Continuity Management Policy, which the service is collaborating with the Digital Team to make available to staff via the Intranet.

We found the Council's Overarching Business Continuity Plan has not been revised since its inception in 2016. We have been informed that a review is underway.

Our testing highlighted that critical services Business Continuity Plans are out of date. The majority were last updated in October 2020, but one has not been updated since December 2016. As a result, we found officer roles and responsibilities have changed during this period with some having left the Council. We also noted a disparity between the type and level of information recorded within the critical service Business Continuity Plans, which also included missing appendices.

The service has worked to update all 18 critical Business Continuity Plans through the issuing of a Business Impact Analysis Questionnaire (BIAQ) (April 2022). Our



MID KENT AUDIT

testing found that 10/18 critical services returned their questionnaire. Four critical services updated their Business Continuity without returning their BIAQ, and four critical services failed to return their (BIAQ) or update their Business Continuity Plan.

Staff responsible for Business Continuity delivery are suitably qualified and trained. Likewise, Business Continuity is promoted to local businesses and the voluntary sector through the parish meetings



MID KENT AUDIT

Annex D

Reconciliation of the approved 2022/23 Internal Audit Plan

The Position column provides the position as at 31 May 2022 and with the exception of the shaded reviews, does not warrant that this will be the final position for any of these reviews. The highlighted rows, below, are the reviews which informed the 2022/23 Head of Audit Opinion statement.

It was acknowledged that there can be a time-lag between issue of the draft report and the subsequent finalisation of an audit report. The 'Agreed Draft' status signifies that management has accepted the assurance grading provided for the review and is substantially in agreement with the detailed findings. The management responses to the Actions have not yet been provided. Consequently, for the purposes of providing the Head of Audit Opinion audit reviews which have reached Agreed Draft have been included.

Audit Review	Position at 31 May 2023
Planning Performance Agreements	Finalised
IT Project Management	Finalised
Property Acquisition and Disposals	Finalised
Crematorium	Finalised
Workforce Planning	Finalised
Discretionary Housing Payments	Finalised
Capital Projects Funding	Work in progress
Member Development	Work in progress
Property Income	Work in progress
Facilities Management	Work in progress
Food Safety	Agreed Draft
Private Water Supply	Work in progress
Business Continuity	Agreed Draft
IT Backup and Recovery	Postponed until 2023/24
Network Security	Dropped - replaced by Cyber security audit in 2023/24
CCTV Monitoring	Postponed until 2024/25
Theatre Operations	Postponed until 2024/25

MID KENT AUDIT

Annex E

About Mid Kent Audit

Standards and ethical compliance

- A. Government sets out the professional standards that Mid Kent Audit must work to in the Public Sector Internal Audit Standards (PSIAS). These Standards are a strengthened version of the Institute of Internal Audit's global internal audit standards, which apply across public, private and voluntary sectors in more than 170 countries around the world.
- B. The Standards include a specific demand for reporting to Senior Management and the Audit Committee on Mid Kent Audit's conformance with the Standards.

Conformance with the PSIAS

- C. CIPFA carried out a comprehensive External Quality Assessment (EQA) in May 2020 which confirmed that MKA was in full conformance with the Standards and the CIPFA Local Government Application Note (LGAN). The Standards requires an EQA to be carried out at least once every five years, but does not stipulate specific time intervals for Internal Quality Self-Assessments (ISA) in the intervening period.
- D. In February 2021 the interim Head of Audit for Mid Kent Audit carried out an ISA of conformance with the PSIAS. This review confirmed conformance with the PSIAS and raised 13 advisory or low priority action points. These points are currently being reviewed and managed by the substantive Head of Mid Kent Audit.
- E. The scope of this ISA did not include consideration of either the risk management or counter fraud work carried out by MKA. The scope did not include consideration of the resourcing of MKA, the audit risk prioritisation process or the appropriateness of the times allocated to the different stages of individual audit assignments.

Resources

- F. 2022/23 was a year of unprecedented staff change within Mid Kent Audit. Details of a number of these changes have previously been reported to the Audit Committee in the reports submitted by Mid Kent Audit. At the end of the financial year there were significant vacancies in the management of the partnership and the substantive Head of Mid Kent Audit has been undertaking



MID KENT AUDIT

a review of the staffing requirements to ensure the service is future proofed and fit for purpose to deliver the service required by our partners. This review has now been completed and recruitment is underway. There will still be an impact during 2023/24, but the position will improve over the course of the year.

Use of an external provider to assist with audit reviews

- G. In September 2022, following a procurement process, Veritau was appointed to carry out a number of the audit reviews for which Mid Kent Audit did not have the available resources in-house. This reflects that Mid Kent Audit has ensured the difficulties with staffing experienced during the year have been partially mitigated.



Agenda Item 13

Audit, Governance and Standards Committee

Monday 24 July 2023

Annual Governance Statement 2022/23

Final Decision-Maker	Cabinet
Lead Director	Director of Strategy, Insight and Governance
Lead Officer and Report Author	Angela Woodhouse, Director of Strategy, Insight and Governance and Georgia Harvey, Senior Information Governance Officer
Classification	Public
Wards affected	All

Executive Summary

Attached at Appendix A is the Annual Governance Statement for 2022/23. The purpose of the Annual Governance Statement is to provide assurance on the Council's governance arrangements. Audit Governance and Standards Committee is required to approve the statement prior to signing by the Leader and Chief Executive

Purpose of Report

Decision

This report makes the following recommendations to this Committee:

That the Annual Governance Statement at Appendix A be approved and submitted to the Leader for signature.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	24 July 2023
Cabinet	26 July 2023

Annual Governance Statement 2022/23

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>	Director of Strategy, Insight 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 priorities are understood and delivered</p>	Director of Strategy, Insight and Governance
Risk Management	Already covered in the risk section at paragraph 5.1	Director of Strategy, Insight and Governance
Financial	The action plan may have resource implications. These will be identified as projects come forward.	Director of Strategy, Insight and Governance
Staffing	We will deliver the recommendations with our current staffing.	Director of Strategy, Insight and Governance
Legal	<p>Regulation 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 which (a)</p>	Mid-Kent Legal Team

	<p>facilitates the effective exercise of its functions and the achievement of its aims and objectives; (b) ensures that the financial and operational management of the authority is effective; and (c) includes effective arrangements for the management of risk; and</p> <p>(b) prepare an annual governance statement;</p> <p>Under the Council’s Constitution the Audit, Governance and Standards Committee is to adopt and review 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.</p>	
Information Governance	Data protection is covered in the statement and action will continue into 2023-24	Information Governance Team
Equalities	Effective corporate governance arrangements include behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law as set out in the code of corporate governance.	Equalities & Communities Officer
Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	No implications	Director of Strategy, Insight and Governance
Procurement	No implications	Director of Strategy, Insight and Governance
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and it aligns with the Biodiversity and Climate Change Action Plan	Director of Strategy, Insight and Governance

2. INTRODUCTION AND BACKGROUND

- 2.1 Each year the Council reviews its governance arrangements to ensure compliance with the Local Code of Corporate Governance. The purpose of the review is to provide assurance that governance arrangements are adequate, operating effectively and to identify action which is planned to ensure effective governance in the future. The outcome of the review takes the form of an Annual Governance Statement (AGS) at **Appendix A** prepared on behalf of the Leader of the Council and Chief Executive.
- 2.2 Overall, we can confirm that the Council has the appropriate systems and processes in place. Whilst we are satisfied the governance arrangements in general work well our review has identified additional actions to ensure good standards of governance are maintained. This year all principles have been graded as assured.
- 2.3 Updates on the actions 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.
- 2.5 Several improvement actions were identified in the 2022/23 action plan and the table on pages 25-26 of **Appendix A** shows progress.
- 2.6 The areas for improvement in 2023-2024 are set out on pages 27-28 of **Appendix A**.
- 2.7 The Local Code of Corporate Governance was rewritten in 2017 and was refreshed in 2022 following the change in governance arrangements. It has been scheduled for review in October 2023 and will be submitted to the Audit Governance and Standards Committee.
-

3. AVAILABLE OPTIONS

- 3.1 The Annual Governance Statement is a statutory requirement and provides assurances as to the Council's governance arrangements.
- 3.2 The Committee is asked to approve the Annual Governance Statement as it has been presented or make amendments.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Annual Governance Statement considers and gives assurance to the Council's approach to risk management.
-

5. RISK

- 5.1 The Annual Governance Statement includes an assessment of the Council's risk management arrangements.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the Corporate Leadership Team and the Head of Audit have all been consulted on the Council's governance arrangements for 2022-23, the views gathered have been included in the statement.
- 6.2 As part of this year's review the Director of Strategy, Insight and Governance met with members of the Corporate Leadership Team to complete a Commitment Statement for their directorate. The feedback gathered has been included in the statement.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 Following the Audit, Governance and Standards Committee's approval the statement will be signed by the Leader and included in the final statement of accounts and published on the Council's website.

8. REPORT APPENDICES

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

- Appendix 1: Annual Governance Statement 2022/23

9. BACKGROUND PAPERS

None

Annual Governance Statement

Financial Year
2022-2023



Executive Summary

The Annual Governance Statement is a commitment to, and a review of, the effectiveness of our governance arrangements against the seven core principles identified in Delivering Good Governance in Local Government Framework 2016 (Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive’s (SOLACE)).

We are satisfied that the Council has the appropriate systems and governance arrangements in place when considering the seven principles. A summary of our compliance with each of the principles is shown in the diagram below:



Key:

Assurance Rating	Description
Assured	we fully comply
Part Assured	we comply, however improvements could be made or there are some concerns
Not Assured	we do not comply and action is required

Contents

Executive Summary	2
Contents	3
Principle A: Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law	8
Principle B: Ensuring openness and comprehensive stakeholder engagement	11
Principle C: Defining outcomes in terms of sustainable economic, social, and environmental benefits	14
Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes	17
Principle E: Developing the entity’s capacity, including the capability of its leadership and the individuals within it	19
Principle F: Managing risks and performance through robust internal control and strong public financial management	Error! Bookmark not defined.
Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability	23

Introduction

Governance is about how the Council ensures that it is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner through the system by which the organisation is controlled, operates and the mechanisms by which it, and its people are held to account.

The Annual Governance Statement evaluates how we met the governance framework for the previous financial year and provides an opinion on whether the current governance arrangements are fit for purpose. When producing this statement, information has been prepared with input from the Chief Executive, Directors (including Section 151 Officer), Monitoring Officer and Heads of Service. The statement has also been reviewed and endorsed by the Leader of the Council and Audit Governance and Standards Committee.

The Council also has a duty under the Local Government Act 1999 to make arrangements 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 also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which requires 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 Annual Governance Statement is published, to report publicly on the extent to which we comply with our own Local Code of Corporate Governance, including how we have monitored the effectiveness of our arrangements in year and on any planned changes to our governance arrangements in the coming year.

The Council acknowledges its responsibility for ensuring that there is effective governance within the Council and as such has developed a Code of Corporate Governance that defines the principles and practices that underpin the governance arrangements operating within the Council. The Council approved and adopted a Local Code of Corporate Governance in 2017 which has since been updated in 2020, 2021 and 2022. 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](#).

Compliance is assessed against the seven core principles identified in Delivering Good Governance in Local Government Framework 2016 (Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE)). Each principle is assessed in turn and considers whether further action is required. Within this statement, each principle has been given an assurance rating based on the following criteria:

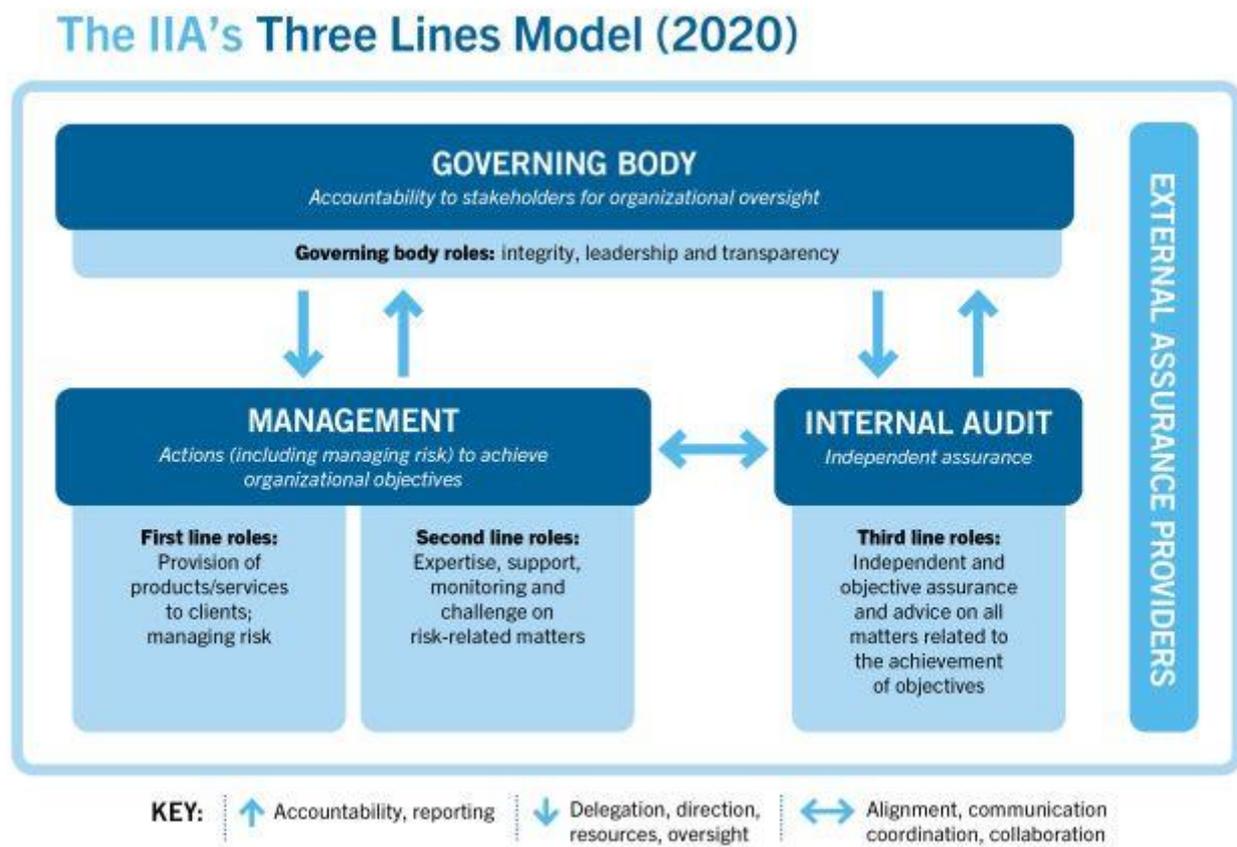
Assurance Rating	Description
Assured	we fully comply
Part Assured	we comply, however improvements could be made or there are some concerns
Not Assured	we do not comply, and action is required

GOVERNANCE ROLES AND RESPONSIBILITIES

In discharging this responsibility, the 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 Three Lines of Assurance

The Three Lines of Assurance identifies the different sources of assurance within the Council. Each of the categories contributes to an overall level of assurance, as shown in the diagram below.



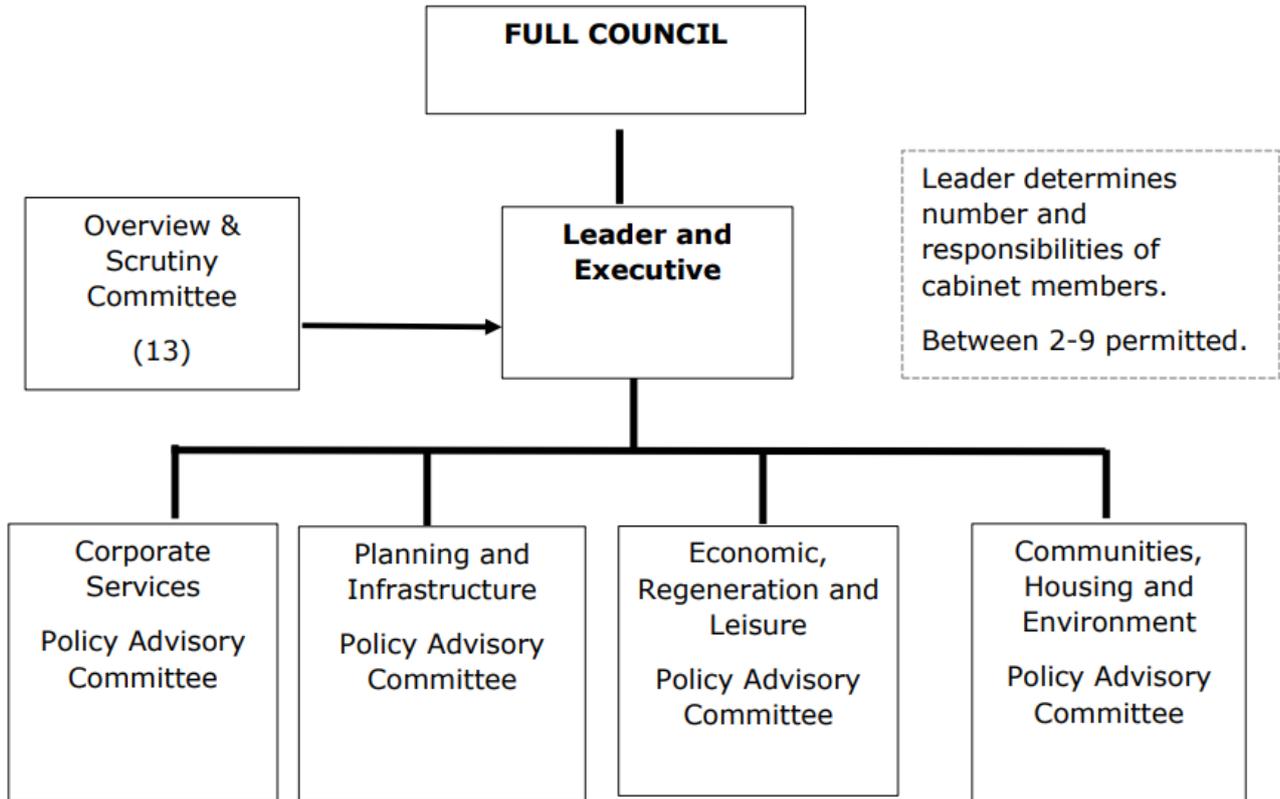
Copyright © 2020 by The Institute of Internal Auditors, Inc. All rights reserved.

1. The First Line - functions that own and manage risks at an operational level. This includes responsibility and accountability for directly identifying, assessing, controlling and mitigating risks for example managers and Heads of Service.
2. The Second Line - functions that oversee risk and ensure compliance. This line monitors the effectiveness of risk management arrangements put in place by the first line, for example HR, Finance and IT functions.
3. The Third Line - functions that provide independent assurance on the management of risks for example Internal Audit

In addition to internal governance arrangements, external auditors, regulators and other bodies outside of the Council have an important role in the Council's overall governance and control structure.

Governance Model

The Council has a Leader and Cabinet model of executive arrangements with one Overview and Scrutiny Committee. Full Member engagement is encouraged through Policy Advisory Committees who review all reports to advise the Cabinet prior to decisions being taken. Overview and Scrutiny undertake select committee style reviews and can call-in decisions for review as well as carry out pre-decision scrutiny.



The roles responsible for developing and maintaining the Governance Framework are listed below:

- The Corporate Leadership Team is led by the Chief Executive, Alison Broom who is Head of Paid Service with overall corporate management and operational responsibility.
- The Council’s Section 151 Officer, Mark Green, is a member 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, Russell Fitzpatrick, is a member of the Corporate Leadership Team, reviewing all decisions taken through the Corporate Leadership Team, Committees and Full Council. The Monitoring Officer serves as the guardian of the Council's Constitution and the decision-making process and has been involved alongside the Director of Strategy, Insight and Governance in the change of

governance arrangement to an executive system. 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 Director of Strategy, Insight & Governance, Angela Woodhouse, has responsibility for corporate governance and is the Council's Senior Information Risk Owner, leading the Council's corporate governance group, chairing the information management group, overseeing performance management, data analytics and engagement as well as coordinating the annual governance statement as well as ensuring the Local Code of Corporate Governance is updated.

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

Assurance Rating: Assured

Assurance Evidence:

What went well

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 2022 with input from the Council's Wider Leadership Team and approved by the Audit, Governance and Standards Committee.

The Council 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 included in the new councillor induction programme to which all members are invited. As a refresher a training session on the seven principles of public life has been commissioned for 2023/24 for all councillors as the induction tends to be attended by mainly new Councillors. During the municipal year 2022-2023, there were 10 Code of Conduct complaints dealt with under the Localism Act 2011 against Parish Councillors and no complaints raised against Borough Councillors.

Kent Secretaries reached an agreed proposal for a new draft local Code of Conduct, which has recently been considered by Kent County Council although adoption has not yet occurred as amendments have been suggested. The resulting options for members were contained in a report to Audit Governance and Standards Committee in July 2022. Kent Secretaries have now completed a new Kent model Code of Conduct, and this will be presented to members, with options for adoption early in the new financial year.

A Register of Interests is maintained, and training is offered to Councillors on standards, interests and our Code of Conduct as part of the annual Member Induction open to all Councillors. A register of gifts and hospitality is also 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.

A section 25 report was produced as an appendix to the budget reports to Council in February 2023. The report highlighted the risks of using one-off funding to meet ongoing revenue commitments. Ultimately the S151 officer reached the conclusion that the approach taken in developing the 2023/24 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves.

In February 2023 we undertook a review of the Council's values to ensure they were still appropriate and relevant. The ways of working have changed significantly over the last few years, and it is important that our values reflect these changes, and our culture evolves. A new set of values is currently being developed for launch at the end of April 2023. A staff survey was carried out at the beginning of 2021 which showed a clear understanding of the Council's priorities with 80% of respondents indicating they understood the Council's priorities and 91% stating they were committed to helping the Council achieve its objectives.

There is an Equality, Diversity and Inclusion Policy in place for the organisation; the policy, objectives and action plan were reviewed and refreshed in December 2022. As part of the update to our Equalities, Diversity and Inclusion Policy and Action Plan we delivered EDI training to all staff in bite-size sessions in 2022/23. We also made the decision in 2022/23 to include poverty as a protected characteristic this will now be included in our EQIA process. A recent review by the Equalities and Human Rights Commission has assessed our objectives as compliant.

Leadership away days were held throughout the year for Cabinet, Corporate Leadership Team and Wider Leadership Team, providing the opportunity to focus on strategic topics and issues facing the borough and Council as well as undertaking leadership development.

The Council has continued to hold monthly 'One Council' webinars. Each webinar is led by a member of the Corporate Leadership Team; this creates the opportunity to engage and brief staff on key topics, progress on achieving the council's strategic priorities and includes a focus on one team within the Council to introduce the team members to all staff and explain their day-to-day work and the impact of this. Examples of the latter include Planning Enforcement, Business Terrace and Housing and Inclusion. In 2022 we were able to return to an in person annual One Council event enabling celebration of achievements over the last 12 months, a forward look to key priorities for the next 12 months and presentation of the council's STRIVE awards.

Each Director holds quarterly briefing with their directorate. This covers contributions from all the teams within each directorate, as well as recognising staff who have gone above and beyond and long service awards.

Wider Leadership Team members have undertaken 'back to the floor days'. Notably John Littlemore spent a day on the front desk at Trinity House, Alison Broom shadowed the Integrated Discharge Team (IDT) at the hospital and Angela Woodhouse also spent time with the Housing Team at Trinity shadowing officers.

The Council produces a weekly newsletter "Inside MBC" for staff. The newsletter includes topical subjects e.g., projects that have reached key milestones, arrangements for upcoming elections and launch of new or amended organisational policies as well as good news stories, compliments from customers.

Our Internal Audit service continues to maintain the whistleblowing policy. The reporting process is working as expected. The number of reports received through this process remains low.

In 2022/23 there was a concentrated focus on updating emergency plans and getting more staff onto rotas, to ensure a breadth of skill and resilience.

Quarterly meetings are held with the Director of Strategy, Insight and Governance, Chief Executive and the Legal team to monitor compliance with the Regulation of Investigatory Powers Act 2000, the meeting looks at activities that are underway including using data protection impact assessments to ascertain whether any action needs to be taken and to ensure compliance.

Following feedback from Councillors and Officers training on undertaking the role of a Trustee was added to the Member training programme in 2022/23. This has helped to ensure Councillors understand their roles and responsibilities when acting as a trustee on an outside body or a council trust as part of a committee.

In 2022/2023 the Information Governance Team updated the template for Data Protection Impact Assessments (DPIA) to make it easier and clear to identify and track risks. A total of 35 DPIAs were undertaken in 2022/23.

In 2022/2023 the membership of the internal Information Management Group was reviewed, and a revised schedule of meetings was implemented to formalise the process and align the meetings to quarterly. The attendees are: Senior Information Risk Owner, Data Protection Officer, Senior Information Governance Officer, Information Governance Officer, representative from HR, representative from Legal, representative from IT and representative from Audit.

What could we do better

Impact assessments (for both equalities and data protection) are most effective when they are identified at the earliest stages of a project, to ensure consideration during project development and revisited throughout the project to ensure overall compliance. This needs to be done more consistently and preferably early on in a project to ensure the implementation of a project or service change is not delayed and the impact on equalities and data protection is appropriately managed. We will update our EqIA guidance in 2023 and we will brief unit managers on the DPIA and EqIA process including signposting them to appropriate support.

Feedback from the Equalities and Human Rights Commission has identified that whilst there is clear evidence that we are using data to inform service development that this information should be displayed on our website. Census data is already available and over 2023 more information will be added to our website.

Next Steps

Presentations will be given at Managers Forum to raise awareness of impact assessments and to explain the process for completion.

Produce an annual report of equalities data and ensure that data is available on our website.

The Local Plan Review continues through examination, complete the next round of public consultations to be adopted by the end of 2023.

Having refreshed the values, next year we will look to embed the new values through One Council events, Team Talks and new starter onboarding.

Principle B: Ensuring openness and comprehensive stakeholder engagement

Assurance Rating: Assured

Assurance Evidence:

The Director of Strategy, Insight and Governance has responsibility for ensuring that the Council applies the public interest test appropriately when deciding whether reports or other information the Council holds should be confidential. All officers are encouraged 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. This was the subject of substantial consideration as part of the review and development of the new constitution. Democracy and General Purposes Committee in March 2023 considered the report of the proper officer on the functioning of the access to information procedure rules in respect of Members' Access to Information, it was noted that all decisions had been taken in public session with restricted information limited to report appendices to ensure transparency.

To ensure robust, effective and transparent decision making the Council continues to utilise remote technology to enable committee meetings to go ahead with public access and engagement on-line. It became evident in 2022/23 that the technology was not up to specification and improvements needed to be made to enable online participation for attendees at committee meetings. Whilst we have webcasted most meetings, we have not always been able to offer online participation this an area of development for 2023/24 as we need to ensure the equipment is fit for purpose.

The Council seeks and utilises opportunities to engage with partners and stakeholders through avenues such as the Developers' Forum, Parish Liaison meetings, the Anchor Institutions Meeting, our online engagement platform, social media campaigns and engagement activity for key projects such as the Town Centre Strategy. We have acted as community ambassadors in our capacity as the democratically elected body representing residents with partners. For example, local housing associations have been engaged and have then assisted with managing the number of households in the borough living in temporary accommodation. As part of our contribution to the wider community and partner organisations, Council employees hold roles on other partnership boards including MidKent College and the West Kent Health and Care Board and various sub committees.

During 2022/23 the Policy, Communities & Engagement team carried out 30 consultations; 4 of these were internal, aimed at staff or members and 26 were public, resident or stakeholder consultations. Overall, 16,000 responses were received to consultations run by the Policy, Communities & Engagement team in 2022/23. Public consultations were undertaken on a variety of topics. Some focussed on specific geographical areas in the borough such as Marden Taskforce and Sutton Valence & Langley Polling Places and other consultations sought information about specific policies or how residents felt about particular issues. For example, the Low Emission Strategy Consultation sought residents' views on the proposed action in the action plan as well as changes to the Air Quality Management Areas. The Waste Disruption Poll sought feedback from residents on how, in future, they would like us to prioritise waste collection services during periods of disruption.

This year we also carried out a Resident Survey, supported by public roadshows and with several different feedback mechanisms in addition to the survey. The survey asked

residents about their health and housing and our big questions exercise focused on what people liked, disliked and would change about Maidstone allowed people to express their feelings in their own words. Over 6,300 residents participated in the Resident Survey activities. The information gathered through these surveys has been used to support decision making. Survey data has also been used to identify and prioritise ongoing improvements to service delivery.

During 2022-2023 the Council undertook a one-year pilot to create a blueprint alongside the West Kent Health and Care Partnership to tackle health inequalities. The focus began on understanding the health profile and the needs of people with the worst health in the West Kent area in Park Wood and Shepway. Through data collection, obesity, healthy eating and diabetes and pre-diabetes morbidities were identified as initial priority areas. Community insight carried out with residents of Park Wood and Shepway identified food insecurity, money, housing, and safety as key issues / areas contributing to poor health. The issues each relate to the wider determinants of health, which are 'diverse range of social, economic and environmental factors which influence people's mental and physical health'.

The Council has led the creation of the Anchor Institution Partnership. The Partnership was implemented in November 2022 for the purpose of place shaping and partnership working with those organisations that have an important presence and defining role in Maidstone as a place. This dialogue has informed the Council's implementation plan for the use of UK Shared Prosperity Funds and development of a brief for engagement of an expert team to assist the council in development of its Town Centre Strategy. Many of those anchor institutions then participated in our cost-of-living roadshows supporting and advising residents.

The Council has an active communications strategy on biodiversity and climate change. To support this, a special Borough Insight was produced on environmental issues in Spring 2023. The Council also ran a Go Green centre in the Mall shopping centre to engage with local residents on biodiversity and climate change matters. Electronically delivered newsletters have been introduced and take up has grown to over 34,000 people.

Directors hold regular 1-2-1 meetings with Cabinet Members to identify and deliver against priorities for their services. There are also weekly informal Cabinet meetings where Cabinet Members are briefed and involved in preparation for upcoming decisions and activities. Cabinet Members have also participated in back to the floor days, for example in 2022/23 the Cabinet Member for Communities and Public Engagement spent time with the Customer Services Team.

Through the Economic Development team's 6 -month forward programme of business support workshops and networking events, the 5,000 businesses registered for the monthly e- business newsletter and free 121 business support service gives the Economic Development Team the ability to regularly meet businesses to understand their priorities and canvass the e-business newsletter database. The team use social media to keep businesses up to date on available support, policy and events. The team are also connected to Kent Invicta Chamber of Commerce and the Federation of Small Business and can use these groups to engage with their Maidstone membership. Last year a Maidstone Business Hub was set up on Let's Talk Maidstone providing a platform for the local business community to share ideas, discuss important topics and provide feedback on policy. A broad range of events at both the MBC Business Terrace and the Maidstone Innovation Centre enables engagement with and support for start-up and SMEs in various sectors including Med Tech in line with our Economic Development Strategy priorities.

In Autumn of 2022 we held a stakeholder event for partners including businesses, voluntary and community sector organisations in the Town Centre in the lead up to commissioning consultants to assist the council in creating the new Town Centre Strategy.

We continue to communicate regularly with Voluntary and Community sector colleagues through our VCS data base and newsletter. We have been able to use the Household Support Fund and Recovery and Renewal monies to commission work from community groups and organisations to support residents throughout 2022/23.

What we can do better

Whilst we consistently engage on a wide range of policy and decisions engagement does not represent the views of all of our residents and communities.

Next Steps

The Policy, Communities & Engagement team will continue to maintain and deliver a forward plan of communication and engagement activities. Significant work will be undertaken in 23/24 consulting with a wide range of stakeholders on the Town Centre Strategy

We will be consulting and working with our parish partners to develop a new parish charter to continue to develop our partnership working for the benefit of our residents.

We will be running more events for the benefit of our VCS partners, to support them in maximising their income generation and increasing volunteering.

Commission a project which will seek to increase engagement with the seldom heard in our borough and build future engagement channels.

A new Maidstone Business Forum is currently being explored to engage with specific business sectors and leaders.

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

Assurance Rating: Assured

Assurance Evidence:

The current Strategic Plan was adopted in December 2018 and covers the period until 2045. The plan was agreed after careful analysis and consultation with a variety of stakeholders and workshops with all Councillors. It is a 26-year plan to ensure continuity, and a basis on which all other Maidstone Borough Council plans and strategies could be developed for example the Local Plan. Last year a review of the strategic areas of focus for the next five years was undertaken by Policy Advisory Committees, the Leadership Team and Cabinet. As a result, several changes were made to reflect the Council's ambitions regarding Biodiversity and Climate Change, the emerging Town Centre Strategy, community resilience and achieving 1,000 affordable homes. The foreword from the Leader was also revised as were performance and contextual data in the plan.

We have continued to roll out data Dashboards, including making them publicly available on our website. For our Town Centre Strategy we created a significant amount of data to inform the commissioning and development as well as the stakeholder activities that have been held.

We have delivered year 1 of the UK Shared Prosperity Fund programme, this was focussed on to promote of and events in our town centre including a creative communities' grant scheme to support delivery of events by community groups, a magic of Christmas trail and parade as well as a special edition of Borough Insight. The plan was aligned with the government outcomes for levelling up and we have reported on our progress against the plan at the end of 2022/23.

The Local Plan review process has passed the stage 1 test of soundness.

In the spring 2023 a special edition of the Council's Magazine Borough Insight was created and delivered to every household focussed on the environment providing every household with practical information on the steps they could take to reduce their impact on the environment as well as an update on Council activity. We also delivered our first Go Green information centre to create an accessible, inviting space to connect and engage with the public and local business to raise awareness of sustainability, climate change and biodiversity. A range of information was provided. Local sustainable businesses were invited to demonstrate their goods and services in the centre to create clarity and confidence in making greener choices and there was a series of events and talks on sustainable topics and issues. The Centre had 870 users over 17 days that it was open.

The Biodiversity and Climate Change Strategy has been reviewed, as a result actions have greater definition and focus on what is within our control. Performance measures have been developed and actions are assigned to each Cabinet Member to ensure clear leadership. The plan continues to be reviewed annually and progress is reported every six months to the Policy Advisory Committees and the Cabinet.

Officers have developed a Carbon Footprint Dashboard system, that automates the calculation of the council's carbon footprint through collation of utility (gas and electricity) data from each building, and fleet telematics data (engine type and mileage data) for each vehicle), in to a PowerBI dashboard, that calculates the carbon emissions

into tonnes of carbon dioxide equivalent (tCO₂e). The carbon footprint is updated on a 6 monthly basis and reported annually.

We have delivered a further tranche of Household Support Fund, projects included creating warm spaces for residents across the borough, supporting local community initiatives to provide support to those vulnerable to the cost-of-living crisis. We proactively engaged with those who were unlikely to receive Government support for energy to ensure they received the support they needed. A hardship fund was also established to support those whose residents that are in crisis or whose current circumstances may lead them to crisis point. These residents were given the financial support needed to help reduce risk of crisis, support from Council services where applicable and to signpost them to advice and other community initiatives. We also held several cost-of-living roadshows with residents.

We successfully in obtained funding from the West Kent Health and Care Partnership to design and develop a health and housing intervention, alongside key stakeholders to address the links between poor housing and health, particularly relating to damp and mould. Using data analytics we will identify households with an increased likelihood to be impacted by mould growth, develop a pathway for professionals and residents on tackling damp and mould concerns, improving health, housing standards and reducing the number of complaints.

We have an inclusion board with representatives from Housing, Health, Revenues and Benefits, Policy Communities and Engagement and Analytics and Information and partners from Involve and CAB. The group works to support the council and key partners in delivery of its social inclusion and equalities responsibilities.

What Could We Do Better?

Our financial inclusion strategy requires an update to reflect the national changes and cost of living crisis.

We have identified the need to ensure we balance and take into account social, economic and environmental needs in our decision making through triple bottom line accounting. This concept will need to be developed and embedded in 2023/24 to achieve our cross-cutting objectives relating to biodiversity and climate change.

What are the next steps?

A Welfare post was created for 2023/24 using our allocation of the Household Support Fund, this post will continue to deliver our project with the lift dashboard.

The delivery of the Community Resilience Fund will continue in 2023/24.

The delivery of year 2 of the UK Shared Prosperity Fund, which includes delivering a creative communities grant to deliver events, a feasibility study for greening and lighting in the town centre, a volunteering project focused on our green spaces.

To deliver year 1 of the Rural UK Shared Prosperity Fund which is supporting projects in rural areas that are focused on improving sustainability.

Delivering the next tranche of Household Support Fund which includes, a hardship fund, a fund for community projects tackling food insecurity over the summer with the absence of free school meals, and a fund to support those moving out of temporary accommodation

with essentials for their new home after it was identified that the lack of furniture may be a barrier to residents moving out of TA.

We will be consulting and working with our parish partners to develop a new parish charter to continue to develop our partnership working for the benefit of our residents.

We will be running more events for the benefit of our VCS partners, to support them in maximising their income generation and increasing volunteering.

The Go Green Information Centre, now known as the Eco Hub, will open in August as well as form part of Cost-of-living roadshows.

The Community Larder was setup in response to Health Inequalities insight work with residents who identified food insecurity as their main concern/priority. The aim is to reduce food insecurity which impacts on residents' and their families' physical and mental wellbeing - through poor diet, missed meals, unhealthy meals, anxieties, and over feeding their family - by providing fresh and healthy food for a small weekly subscription fee. The Community Larder compliments local provision and provides a focal point for community engagement and access to services. The larder provides access to supplementary ancillary services such as mental health support, financial advice, housing advice, and access to healthy lifestyle services through a range of internal and external partners.

Shepway Larder has over 260 members with around 3000kg of food distributed each month. Food sources have been secured with 13 supermarkets, FareShare and a local allotment group.

Additional funds have been secured from the West Kent Health and Care Partnership to open a second larder in Park Wood as part of the wider health inequalities work which was undertaken.

Housing Services are working alongside BEAM to provide a programme of targeted support for those who are homeless or at risk of homelessness to access employment and housing. Referrals come via Maidstone Borough Council as well as external agencies including Golding Homes, Citizen Advice, Homeless Care, Pathways, Riverside. 51 referrals have recently been received for intervention with 2 individuals secure permanent employment.

Principle D: Determining the interventions necessary to optimise the achievement of the intended outcomes

Assurance Rating: Assured

Assurance Evidence:

The Council has changed our senior leadership team to ensure capacity in the right places to deliver our strategic priorities this has included increasing the capacity in delivery of regeneration and housing projects and in spatial and development management planning.

Council has a Transformation and Digital Services Team which carries out reviews and supports actions to improve the efficiency of Council services. In 2022/23 a range of reviews to introduce new or improved online services were carried out including: Council Tax discount, bulky waste collection, clinical waste collection, reporting a planning breach, animal welfare, boarding, control and licensing, and dangerous trees.

The Local Plan Review has been through various stages of public consultation and is now subject to an ongoing examination, to date all public consultations and public examination sessions have gone well, and the Local Plan Review is on target to be adopted by the end of 2023.

The Council has made rapid progress on the 1,000 affordable homes programme, with over 400 residential plots now in ownership after just one year. A new housing management system has been introduced in the housing team alongside the recruitment of a housing management specialist to manage this aspect of the service as our portfolio grows and we make progress on our target of delivering 1,000 affordable homes.

We have continued to build on our portfolio of dashboards throughout the year, providing services with performance monitoring tools and making it easier access to their data – and enabling effort to be spent on using data for operational day to day monitoring and action to address issues as well as more strategic review of what the accumulation of day-to-day performance information tells us about where improvement is needed. The continued use of dashboards across the organisation is encouraging better decision-making using data and evidence, and helping services plan their resources better, with analysis of trends and workloads provided to them in a clearer visualisation tool.

We have also worked hard on producing Open Data in more digestible formats using dashboards and have successfully published many of these online for public use. As well as Census data, our open data pages include the Index of Multiple Deprivation (IMD), street cleansing, waste satisfaction and carbon footprint. On top of the dashboards, we have also provided an update of our data repository making it a one-stop shop for all things data.

Year 1 of the UK Shared Prosperity Fund programme has gone to plan with delivery across all areas, the plan been aligned to the government's objectives for levelling up. Progress has been regularly reported to Anchor Institutions and relevant Policy Advisory Committees.

In relation to the Household Support Fund, we have targeted our spend to areas where we have identified a need through communication with all staff who interact with vulnerable people. This led for example to the creation of a fund to ensure residents have access to white goods and other essentials as it was identified that broken white goods can have a significant impact on the cost of living. We have proactively engaged

with those who were unlikely to receive Government support for energy to ensure they received the support they needed.

What Could We Do Better?

The Equality Impact Assessment process is well established but training will be needed following the addition of poverty as a protected characteristic, we also need to ensure this is integrated into the budget setting process in 2023/24.

What are the next steps?

A new data system is being piloted in 2023/24 which pulls together extensive amounts of open-source data on our place and residents to inform service delivery and priorities. All officers will have access to this system. This will complement our data repository and may, subject to the experience of the pilot, obviate the need for the council to spend time and resource keeping this up to date.

Deliver the next tranche of Household Support Fund which includes, a hardship fund, a fund for community projects tackling food insecurity over the summer with the absence of free school meals, and a fund to support those moving out of temporary accommodation with essentials for their new home after it was identified that the lack of furniture may be a barrier to residents moving out of TA.

As part of the Local Plan review the Council will undertake a statutory consultation on the Inspector's proposed Main Modifications that are required to make the plan sound. This will be for a minimum of 6 weeks, following this and consideration of the responses the Inspector will publish their final report and close the examination. Our aim to adopt the reviewed Local Plan by the end of 2023. Work will then focus on a series of Development Plan Documents including for Design and Sustainability and Gypsy and Traveller accommodation, Supplementary Planning Guidance for large site allocations and delivery plans for key elements of the Local Plan.

Integrating EQIAs into our budget savings process where services are changed or developed.

Work on the dashboard programme will continue and will be a central feature of the new Performance Management framework where we will aim to have more contemporaneous performance rather than backward looking data to assess performance and identify where intervention is needed more quickly. A new Data Analytics Strategy will be developed to set a clearer direction on the way that data will be managed and used.

The Corporate Risks and highest-level risks on the Operational Risk register were reported to and monitored by Corporate Leadership Team throughout the year, and action identified to manage risks to an acceptable level. Further to this, risk updates were reported to Policy & Resources Committee and to Audit, Governance and Standards Committee during the year for oversight and challenge. Significant Corporate Risks have been added to the annual governance statement action plan.

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

Assurance Rating: Assured

Assurance Evidence:

A new officer senior leadership team structure was introduced in August 2022. This reflected the priorities around property and housing delivery, and communities and information. The Council has recruited specialists into these roles. As a result of this and other changes the Council's Wider Leadership Team has had new members in 2022/23 bringing different skills and experience to the team. Regular away days and training have been held in 2022/23 to develop leadership skills and capacity. This is planned to continue in 2023/24.

Learning and Development provided an annual programme of training as part of the HR shared service. Where possible, training sessions are offered to both authorities in the shared service to ensure best use of resources.

In 2022/2023 training was offered to all departments on information governance. As part of this the Information Governance Team joined team meetings to provide a refresher session for staff. Bespoke training was organised for delivery by a consultancy company (DPAS) to departments on information sharing.

Carbon Literacy Training has also been rolled out across the organisation with staff taking part from teams across the Council. A new online learning module on climate change has been added to ELMS for staff to complete

Microsoft Teams has been used to build work communities including sports club and social clubs following work with an external company on the Council's culture.

A change in governance and new constitution was implemented in May 2022, moving from a Committee system to a Cabinet system. Training was rolled out to officers and councillors on the new model and ways of working. Democracy and General Purposes Committee reviewed the constitution after six months to make improvements to procedures and processes.

The Council has in place a training programme for Councillors, training covered overview and scrutiny, questioning skills and training on the new constitution. Training on the role of a trustee was also provided to Councillors.

The Council has dealt with complaints about members conduct effectively and invested time working with Parish Councils to support them with managing complaints about members' conduct.

The Council has submitted an entry for the Young Local Authority of the Year 2023 Competition and were awarded 'Highly Commended'.

What Could We Do Better?

The revision of the strategic plan areas of focus for 2023-28 identified that biodiversity and climate change should be at the heart of the Council's decision making, in order to bring this into effect training needs to be given to Councillors and Officers.

What are the next steps?

Training will be offered to all Councillors on Biodiversity and Climate Change, carbon literacy training will be rolled out to all Councillors.

Principle F: Managing risks and performance through robust internal control and strong public financial management

Assurance Rating: Assured

Assurance Evidence:

The current economic climate and impact of inflation has resulted in sharp increases in the cost of living which is impacting us all. Local authorities are not immune, with greater cost pressures across all aspects of our operation. Within this overall context, the role of good governance remains critical to public trust and confidence in decision making, ensuring resources are aligned to our ambitions, policies and priorities.

The year ending 31 March 2023 saw Maidstone Borough Council's income continuing to recover from the effects of the Covid-19 pandemic. However, service expenditure reflected particular pressure from the rapid increase in homelessness, with the cost of providing temporary accommodation running well ahead of budget. Strong financial controls enabled the Council to remain within budget overall.

The Council's priorities have remained stable which has supported medium to long term planning. Key Performance Indicators are in place aligned to priorities these are regularly reported to Policy Advisory Committees and the Cabinet. The use of dashboards and data to improve and manage services has been described under Principle D.

A new risk management system was implemented. Risks are regularly reported to the officer Leadership Team and Councillors as well as being updated to reflect changes, this has also been covered under Principle D.

To mitigate risks regarding CCTV, a consultancy company (DPAS) was appointed to review the use of CCTV across the Council and provide a report that gives an assessment of risk and how the risks have/need to be mitigated. The findings of this project were presented to the Information Management Group.

Councillors have open access to both internal and external auditors without the need to go through Officers. Councillor briefings are provided on financial matters including Annual Statement of Accounts. Councillors have the opportunity to scrutinise the budget through Policy Advisory Committees who review and comment on budget proposals prior to Cabinet decisions.

As mentioned under Principle A, a section 25 report was produced as an appendix to the budget reports to Council. The report highlighted the risks of using one-off funding to meet ongoing commitments. Ultimately the S151 officer reached the conclusion that the approach taken in developing the 2023/24 budget meets the requirements contained in the Local Government Act 2003 to ensure the robustness of the estimates and the adequacy of reserves.

In 2022/23 the Director of Strategy, Insight and Governance became the Council's Senior Information Risk Owner, the role of Data Protection Officer was taken on by the Insight, Communities and Governance Manager.

Dashboards have been rolled out in 2022/23 for a number of services to enable management of performance. Performance continues to be reported to the Wider Leadership Team, Cabinet and the Policy Advisory Committees.

What Could We Do Better?

Continue the roll out of data Dashboards for all services and introduce them for our Strategic Key Performance Indicators.

What are the next steps?

Implementing the recommendations from the review of CCTV in 2023/24

Risk Management workshop with Leadership Team and Cabinet to improve knowledge and understanding of the key corporate risks.

Include the Overview and Scrutiny Committee in the budget process.

The impact of rising prices was absorbed during the year, but this will be a significant risk in future, particularly as the Council is severely constrained in its capacity to increase revenues in response to increased costs because of the Council Tax referendum limit.

Principle G: Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Assurance Rating: Assured

Assurance Evidence:

Following the implementation of a new constitution as a result of the changes from a committee to cabinet system of governance, the past year has provided a period of learning and adjustment for both officers and members.

Democracy and General Purposes Working Group has reviewed the constitution and on how things are working.

To ensure that privacy notices were transparent, a consultancy company (DPAS) was appointed to review our privacy notices and provide a report that gives an assessment of compliance and how the risks have/need to be mitigated.

Dashboards have been made publicly available on our website for Census 2021, Community Protection, Police/Crime Data, Indices of Multiple Deprivation, Resident Survey 2022, Planning Enforcement, Street Cleansing, Carbon Footprint and Waste Service Satisfaction. We have also worked hard on producing Open Data in more digestible formats using dashboards and have successfully published many of these online for public use. As well as Census data, our open data pages include Index of Multiple Deprivation (IMD), street cleansing, waste satisfaction and carbon footprint. On top of the dashboards, we have also provided an update of our data repository making it a one-stop shop for all things data.

The Democracy and General Purposes Committee in September 2022 reviewed and recommended the Council's response to the second stage consultation on the Boundary arrangements and Member numbers for the Council. The Local Government Boundary Commission made their final report including a reduction in councillors from 55 to 49 on 10 January 2023. The Council will now have to make arrangements to put in place the new arrangements for May 2024 following an electoral changes order.

What Could We Do Better?

We publish information relating to equality information on our workforce and gender pay gaps we are now looking at the data we can publish in relation to service user information as well as planned activity to reach and engage with the seldom heard in our communities

As we develop and manage more affordable housing as part of achieving the ambition to create 1,000 affordable homes and we hit thresholds for social housing stock owned by the Council we will need to ensure we have in place robust governance arrangements, this will be a topic to be explored in 2023/24.

The remit of Overview and Scrutiny has been focussed on topic reviews in 2022/23, it envisaged that the committee will undertake more pre-decision scrutiny in 2023/24 as it becomes more established. Cross group involvement and oversight of Cabinet decision making takes place via the Policy Advisory Committees. At Policy Advisory Committees Councillors can question the Cabinet Members and make recommendations to inform decisions for Cabinet consideration.

The new governance arrangements have exposed risks caused by delays in decision making. This needs further analysis to understand the frequency and impact.

What are the next steps?

Implement the recommendations on privacy notices and continue to deliver our data protection action plan.

Work on the dashboard programme will continue and will be a central feature of the new Performance Management framework. A new Data Analytics Strategy will be developed to set a clearer direction on the way that data will be managed and used.

In 20223/24 we will commission a project to seek to increase engagement with the seldom heard in our borough and build future engagement channels.

Democracy and General Purposes Committee identified the need to undertake a further review of the constitution, focusing on the reduction in the number of Councillors including reviewing the role of Policy Advisory Committees and Overview an Scrutiny.

The impact and preparations required for the boundary review and four yearly elections have been added to our risk register.

Update on previous action plan

Corporate Governance Area	Lead Officer	Update
New Process for part II items embedded and officers trained	Director of Strategy, Insight and Governance	The new process has worked well in 2022/23. Training was carried out with officers. In accordance with the constitution the Director as the Proper Officer reported to the Democracy and General Purposes Committee in March 2023 on the functioning of the rules in respect of Members' Access to Information.
Data Protection Action Plan (previously reported to Audit Governance and Standards Committee)	Data Protection Officer	<p>Privacy Notices have been reviewed and updated. These are all available on the Councils website.</p> <p>The new Data Protection Impact Assessment process has been implemented.</p> <p>The CCTV review has been completed and findings and recommendations have been sent for review by the Information Management Board.</p> <p>The review of the Record of Processing Activity and Information Asset Register has started.</p>
<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 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. 	Director of Finance and Business Improvement	<p>A corporate Social Value policy was adopted by the Executive on 22 December 2022.</p> <p>The approach to investment appraisal has been reviewed for conformance with the Principles in Project and Investment Appraisal. It is considered that the approach is compliant.</p> <p>The usefulness of budget monitoring reports has been assessed. It is considered that they are effective in achieving strong financial control, within the overall context of the council's budget and policy framework. Some modifications and improvements will be made to the reports for 2023/24 to provide greater granularity.</p>
Learning from governance failings at other Local Authorities	Chief Executive	A monthly briefing has been held with the Council's statutory officers plus our Director for Strategy, Insight and Governance and Head

		of Internal Audit to identify and review any issues or concerns about the way MBC is operating and application of lessons learnt from interventions in local government elsewhere.
Review of new Constitution planned to commence in December 2022	Director of Strategy, Insight and Governance and Monitoring Officer	Democracy and General Purposes Committee set up a working group to review the constitution in 2023/24. Their review resulted in several amendments to the constitution which were then approved by Council in April 2023. The amendments picked up snagging issues and improvements to procedures for example the petition scheme.
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	This situation continues to be well managed, with an Integrity Wall in place between the Council's promotor team (working in partnership with Homes England) and the Local Planning Authority team undertaking the Local Plan Review.
Corporate Risk: General and localised economic pressure leads to contraction in retail sector , limiting the appeal of Maidstone town centre threatening social cohesion and business rates income.	Director of Regeneration and Place	Maidstone has embarked on the production of a Town Centre Strategy, work has been underway for six months and the new strategy will be in place by January 2024 In addition, the Business Improvement District Round 2 is out to ballot in the summer of 2023, which if the vote is in favour, would see a continuation of the current and successful town centre management arrangements.
Corporate Risk: General financial uncertainty , unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation places further financial restrictions on the Council resulting in difficulty maintaining standards or meeting aims.	Director of Finance and Business Improvement	The Council has a strong budget and policy framework which helps to mitigate this risk. Specific measures that are in place include: <ul style="list-style-type: none"> - regular budget monitoring in place - an up-to-date medium term financial strategy - use of scenario planning in budget setting - proactive approach to identifying budget savings - adequate but not excessive reserves to mitigate impact of financial uncertainty

Corporate governance action areas 2023-24

Corporate Governance Area	Lead Officer	By When
Introduce Triple Bottom Line accounting for decision making	Director of Strategy, Insight and Governance	March 2024
Implement the Local Insight system which provides access to a wide range of data sets borough wide to neighbourhood level. This system will enable swift access to information, trends and benchmarking to help inform service and policy development and reduce the need for extensive data research either internally or externally at a cost	Director of Strategy, Insight and Governance	March 2024
Ensure public and stakeholder engagement on the Town Centre Strategy.	Chief Executive and Director of Strategy, Insight and Governance	March 2024
Review and update the Workforce Strategy	Director of Strategy, Insight and Governance with the Head of Human Resources	March 2024
Review of the constitution	Democracy and General Purposes Committee	March 2024
Training for Councillors and Officers to prepare for all out elections and a four yearly term of office in 2024.	Director of Strategy, Insight and Governance	March 2024
Training for Councillors on the Nolan Principles and Carbon Literacy Training	Director of Strategy, Insight and Governance	March 2024
Corporate risk - General Financial Uncertainty Unexpected changes to government funding, failure to achieve income or savings targets, and increases in inflation and contractor costs and deteriorating economic environment	Director of Finance, Resources & Business Improvement	March 2024
Corporate risk - Greater challenge or failure for a general election in the next three years Elections Act 2022 implications in terms of Voter ID, Postal Votes and Overseas Voters	Chief Executive and Director of Strategy, Insight and Governance	March 2024
Corporate risk - Significant changes in construction costs which may also result in a contractor insolvency As they are generally locked into delivering schemes at a fixed price, and	Director of Regeneration & Place	March 2024

<p>so need to manage their exposure to rising costs in their supply chain. Inflation continues to rise and a significant economic event (e.g., further pandemic impacts, BREXIT, supply chain issues)</p>		
<p>Corporate risk - Housing pressures increasing on the Council The broader housing and cost of living crisis</p>	<p>Director of Regeneration & Place</p>	<p>March 2024</p>

Audit, Governance and Standards Committee

24 July 2023

External Audit 2021/22

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

This report provides the committee with an update on progress with the audit of the 2021/22 financial statements.

Purpose of Report

Noting.

This report makes the following recommendations to this Committee:

1. That the report be noted.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	24 July 2023

External Audit 2021/22

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, Resources 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, Resources and Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance, Resources and Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2022, and details the council's assets, liabilities and reserves at this date. The work of the external auditor aims to provide independent assurance over this document.	Director of Finance, Resources and Business Improvement
Staffing	No implications identified.	Director of Finance, Resources 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	Team Leader (Contentious and Corporate Governance)

	financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.	
Privacy and Data Protection	No implications identified.	Director of Finance, Resources and Business Improvement
Equalities	The report is for noting and contains no recommendations that would propose a change in service, therefore no equalities impact assessment will be required.	Equalities & Communities Officer
Public Health	No implications identified.	Director of Finance, Resources and Business Improvement
Crime and Disorder	No implications identified.	Director of Finance, Resources and Business Improvement
Procurement	No implications identified.	Director of Finance, Resources and Business Improvement
Biodiversity and 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

2020/21 Statement of Accounts

- 2.1 Members will recall that the audit opinion for the year to 31 March 2021 was eventually signed by the external auditors, Grant Thornton, in November 2022, over a year after the due date.

2021/22 Statement of Accounts

- 2.2 The Council was required by statute to have its Statement of Accounts for the 2021/22 financial year audited by 30 November 2022. Draft accounts were presented to the Audit, Governance and Standards Committee in July 2022. The audit was originally due to start in August 2022, which would

have made the November deadline achievable. However, in practice the external auditors from Grant Thornton did not start work until January 2023.

- 2.3 In a report to the March 2023 meeting of this Committee, Grant Thornton stated: 'We are currently aiming to conclude our audit in April 2023, ahead of starting our work on NHS accounts, and to report our findings to the July 2023 Audit, Governance and Standards Committee'. However, as of the time of writing the 2021/22 audit has not been completed.
- 2.4 The matters holding up completion of the audit are set out on page 3 of the attached Audit Findings report from Grant Thornton. The key issues are as follows.

Further information requested by Grant Thornton from the Council's external valuer

- 2.5 The valuation of Property, Plant and Equipment and investment property assets is carried out by an external valuer, commissioned by the Council. Grant Thornton requested detailed information from the valuer in February 2023, including a large number of specific questions, which required individual responses.
- 2.6 After the valuer provided responses, a further set of queries followed on from the initial questions raised by Grant Thornton. The valuer has made every effort to address these.

This area is now given a very high priority by auditors generally, and we are not aware of any specific issues at Maidstone different to those at other local authorities. However, this means that the level of audit scrutiny in 2021/22 has been much greater than in previous years. If the level of information required had been signalled to the council or to the valuer at the start of the audit process, a more structured approach to meeting the auditor's requirements could have been adopted

Updated valuation of pension assets and liabilities

- 2.7 Grant Thornton advised us on 12 June 2023 that the draft accounts for 2021/22 would need to be adjusted to incorporate an updated valuation of pension assets and liabilities. When the Council's draft 2021/22 accounts were originally prepared, the most recent triennial valuation of the pension scheme available was that carried out as at 31 March 2019. The draft accounts therefore incorporated values for the pension assets and liabilities based on a report (known as the IAS19 report) from the scheme actuary in which the 2019 values were rolled forward to 31 March 2022. This is the conventional way in which pension assets and liabilities are recorded if there is no recent comprehensive triennial valuation available.
- 2.8 Subsequently, we have received the results of the 31 March 2022 LGPS triennial valuation. In Maidstone's case, the assumptions used by the actuary in their original IAS19 report were actually close to the actual position as set out in the triennial valuation. This was because the Council

had experienced no major changes, such as a workforce restructure, in the profile of its employees and former employees.

2.9 However, Grant Thornton considers that local authorities with open 2021/22 audits should now go back and seek an updated IAS 19 report from their actuary, to allow for an informed assessment of whether adjustments to draft accounts are necessary in light of the actual position as set out in the triennial valuation. This is a blanket policy adopted by Grant Thornton for all audit clients in the same position as Maidstone, and does not allow individual Grant Thornton audit partners any discretion to form a view as to whether such an update is in fact necessary.

2.10 It should be noted that Grant Thornton's position on this matter is contrary to advice given by the National Audit Office in its Supplementary Guidance Note SGN03, which states:

'Auditors should not seek to obtain revised figures unless there is clear evidence that information is now available that the actuary should have been aware of and incorporated into the IAS 19 reports when they were originally prepared. Examples of such events would include, but not be limited to, actuaries failing to update mortality assumptions to reflect the impact of COVID-19, or an authority failing to notify the actuaries of a large restructuring/redundancy programme at the time'.

2.11 Obtaining an updated IAS19 report, as requested by Grant Thornton, will lead to additional costs for the authority and further delay to completion of the audit. It is worth noting that the requirement would not have arisen at all if Grant Thornton had completed their audit work for 2021/22 in a timely way.

2.12 We did not commission an updated IAS19 report immediately in response to Grant Thornton's request on 12 June, as there is no indication that it would have been received and the audit work arising completed in time for the firm to complete their 2021/22 audit by the date of this meeting, as it had promised. Instead, we have requested that Grant Thornton reconsider their position.

Current position

2.13 The attached Audit Findings report from Grant Thornton does not specify a date by which they hope to complete their 2021/22 audit. There are no significant practical implications from continuing to delay publication of audited accounts, such as fines or penalties. However, further delay is likely to impinge on the audit of the 2022/23 accounts.

2.14 A continued requirement to invest time and resource in addressing audit issues also detracts from other functions of the finance team, including budget planning and regular preparation of management accounts. More generally, delays such as this in the publication of audited accounts contribute to the nationwide erosion of confidence in sound local government financial management.

2.15 The Grant Thornton audit partner has been invited to this meeting so that members may raise any questions.

3. AVAILABLE OPTIONS

3.1 Committee members are asked to note this report.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 The report is for noting only.

5. RISK

5.1 Risks have been considered with reference to the Council's risk management framework. As explained in paragraph 2.13, there are no direct financial or regulatory risks arising from failing to complete the audit. However, there is a potential reputational risk for the Council arising from delays in signing the accounts.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 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.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 To be discussed at the meeting.

8. REPORT APPENDICES

- Appendix A: Grant Thornton report, Audit Findings for Maidstone Borough Council 2021/22
-

9. BACKGROUND PAPERS

None.

The Audit Findings for Maidstone Borough Council

Year ended 31 March 2022

July 2023
05



Contents



Your key Grant Thornton team members are:

Sophia Brown

Key Audit Partner

T [020 7728 3179](tel:02077283179)

E Sophia.Y.Brown@uk.gt.com

Trevor Greenlee

Audit Manager

T [01293 554130](tel:01293554130)

E Trevor.Greenlee@uk.gt.com

Joseph O'Connor

Audit in-charge

T [020 7728 2964](tel:02077282964)

E Joseph.G.OConnor@uk.gt.com

Section

1. Headlines
2. Financial statements
3. Value for Money arrangements
4. Independence and ethics

Appendices

- A. Action plan
- B. Follow up of prior year recommendations
- C. Audit adjustments
- D. Fees

Page

- 3
- 5
- 19
- 21
- 24
- 25
- 26
- 32

The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect the Council or all weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name: Sophia Brown
For Grant Thornton UK LLP
Date: July 2023

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: 30 Finsbury Square, London, EC2A 1AG. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority. Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. Services are delivered by the member firms. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Maidstone Borough Council (‘the Council’) and the preparation of the Council’s financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice (‘the Code’), we are required to report whether, in our opinion:

- the Council’s financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and the Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work is now substantially complete. The findings from our financial statements work are summarised in Section 2 of the report.

Our work to date has identified a number of misstatements above the level of which we are required to report – further details are included at Appendix C (‘Audit adjustments’).

The areas of outstanding work are:

- completing our work on PPE revaluations – we are currently unable to progress our work as, although some information has been received from the Council’s external valuer, other information requested from the valuer in March 2023 has not yet been received;
- obtaining an updated report from the Council’s actuary detailing the impact of the triennial revaluation on the Council’s net pension liability disclosures as at 31 March 2022. If the impact on the financial statements is material then additional audit procedures will be required;
- reviewing management’s proposed approach for including the Council’s museum exhibits as heritage assets in the financial statements;
- resolving the remaining technical queries relating to the GT ‘hot review’ of the financial statements;
- final review and audit quality procedures;
- reviewing a final version of the financial statements which contains all amendments, together with a final version of the Narrative Report;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review to the date of signing our opinion.

We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council and the financial statements we have audited.

Subject to the completion of the outstanding work as outlined above our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements

Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit.

Auditors are required to report their commentary on the Council's arrangements under the following specified criteria:

- Improving economy, efficiency and effectiveness;
- Financial sustainability; and
- Governance

We are currently completing an assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources which covers both the 2021-22 and 2022-23 financial years.

Our work to date has not identified any risks of significant weakness in the Council's arrangements.

88

Statutory duties

The Local Audit and Accountability Act 2014 ('the Act') also requires us to:

- report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and
- to certify the closure of the audit.

We have not exercised any of our additional statutory powers or duties.

We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report.

Significant matters

The Council originally published draft 2021-22 financial statements in July 2022. It was agreed that following amendments to the 2020-21 accounts and the findings of a GT technical "hot review" a revised version of accounts would be produced in January 2023. Our audit fieldwork has been performed on this revised version, and our audit findings report identifies adjustments between this revised version and the most recent amended version of the financial statements received in June 2023.

Our work on property revaluations is still in progress. We are currently unable to complete this work as, although some information has been received from the Council's external valuer, other information requested from the valuer in March 2023 has not yet been received;

2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice (‘the Code’). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Timeline for the 2021-22 audit

The Council originally published draft 2021-22 financial statements in July 2022.

Given the nature of the issues identified in the 2020-21 accounts our risk assessment framework required a detailed review (or “hot review”) of the 2021-22 draft accounts by our audit technical team. We shared the outcomes from this review with management in November 2022.

A series of amendments to the 2020-21 accounts agreed after July 2022 also had implications for the 2021-22 accounts. Given the issues identified by the hot review and the outcomes from our 2020-21 audit it was agreed that a revised draft of the 2021-22 accounts would be produced before the start of the 2021-22 audit.

The need to prioritise other finance team work meant that a revised draft was first made available on 11 January 2023. This initial draft excluded the Cash Flow Statement; a complete version of accounts including the Cash Flow Statement was made available on 20 February 2023. In February we identified that the January 2023 accounts did not properly reflect the analysis per the Council's fixed asset register, and a further updated version of the accounts was produced to facilitate audit testing.

Our audit fieldwork has been performed on this January 2023 revised version of accounts, which contained a significant number of material changes to the version published in July 2022. This Audit Findings Report identifies adjustments between the January 2023 version of the financial statements and the most recent amended version of the financial statements received in June 2023. The report also takes into account a number of amendments to the June 2023 financial statements which have been agreed with management.

The overall volume of our audit work has increased in 2021-22, in part due the continuing impact of FRC requirements, changes to auditing and accounting standards, and developments in our audit approach. However, the most significant impact has arisen from the technical “hot review” process. The review has raised a series of technical issues which have required work by management to investigate the issues and provide updated working papers to explain the Council's current or proposed approach. The technical capacity within the Council's finance team is limited and given the competing demands on finance team time over this period it has not been possible to clear all of these queries promptly. Although an initial management assessment and agreement to responses in principle was completed by March 2023, the process of providing updated working papers for review by audit and making accounts amendments has continued through to June 2023. Progress in May and June has been limited due to management focus on 2022-23 accounts closedown and GT work on NHS accounts. Areas where technical queries are still in progress at the date of this report include issues relating to heritage assets and the accounting treatment for the acquisition of Maidstone House.

2. Financial Statements



Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

In our audit plan we reported a materiality level of £1,950,000. Based on the total expenditure reported in the draft financial statements we updated our materiality to £2,049,000.

Council amount (£) Qualitative factors considered

	Council amount (£)	Qualitative factors considered
Materiality for the financial statements	2,049,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	1,537,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	102,000	This is 5% of materiality.
Materiality for disclosures relating to officer's remuneration and exit packages	100,000	Additional inherent sensitivity around such disclosures.



2. Financial statements – significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in our September 2022 Audit Plan.

Risks identified in our Audit Plan	Commentary
<p>Management override of controls</p> <p>Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities.</p> <p>We therefore identified management override of control as an area of significant risk. The related areas of risk include management estimates, use of journals and any significant transactions outside the Council's normal course of business.</p>	<p>To address this risk we:</p> <ul style="list-style-type: none">evaluated the design effectiveness of management controls over journals;analysed the journals listing and determined the criteria for selecting high risk unusual journals;identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; andgained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. <p>Our audit work to date has not identified any issues in respect of this risk.</p>
<p>Improper revenue recognition</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue.</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p>	<p>Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because:</p> <ul style="list-style-type: none">there is little incentive to manipulate revenue recognition;opportunities to manipulate revenue recognition are very limited; andthe culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. <p>Our audit work has not identified any issues which would lead us to change our conclusion at the planning stage that the risk of fraud arising from revenue recognition can be rebutted.</p>

2. Financial statements – significant risks

Risks identified in our Audit Plan

Commentary

Valuation of land and buildings

The Council revalues its land and buildings on a rolling five year cycle, with major assets revalued annually. This valuation represents a significant estimate by management in the financial statements due to the values involved and the sensitivity of this estimate to changes in key assumptions.

We therefore identified the valuation of land and buildings as a significant risk.

To address this risk we:

- evaluated management's processes and assumptions for the calculation of the estimate, including the instructions issued to the Council's external valuer and the scope of their work;
- evaluated the competence, capabilities and objectivity of the external valuer, and challenged the information and assumptions used by the valuer;
- tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Council's asset register; and
- evaluated how management concluded that the carrying value of assets not revalued was not materially misstated.

Our work in this area is still in progress. The conclusions from our work to date are reported at the section "Financial statements – key judgements and estimates".

2. Financial statements – significant risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the values involved and the sensitivity of the estimate to changes in key assumptions.

The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation.

The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable.

The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation, and have identified valuation of the Council's pension fund net liability as a significant risk.

Commentary

To address this risk we:

- updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls;
- evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work;
- assessed the competence, capabilities and objectivity of the actuary;
- assessed the accuracy and completeness of the information provided by the Council to the actuary;
- tested the consistency of the pension fund disclosures in the financial statements with the actuary's report;
- confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements.

Our audit work to date has not identified any issues in respect of this risk.

Triennial revaluation of the Kent Pension Fund

The Council is a scheduled body to the Kent Pension Fund. The latest triennial valuation for the Fund, which is as at 31 March 2022, has recently been published. This valuation provides updated information for the net pension liability as at 31 March 2022, particularly in respect of membership data and demographic assumptions.

As a result we have asked management to obtain a revised report from the Council's actuary detailing the impact of this updated information on the Council's net pension liability disclosures. We anticipate that the updated information will have a material impact on these disclosures and will therefore require amendments to the Council's 2021-22 financial statements.

Where there is a material impact on the financial statements additional audit work will be required to:

- obtain assurance in respect of the updated membership data;
- consider the reasonableness of any revised assumptions and estimates; and
- check the accuracy of management's adjustments to the financial statements.

2. Financial statements – other risks

Risks identified in our Audit Plan

Fraud in expenditure recognition

As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures.

Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.

Commentary

To address this risk we:

- inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period;
- inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and
- investigated post yearend and manual journals as part of our journal testing procedures and considered if there was evidence of fraud in expenditure recognition.

Our work to date has not identified any issues in respect of this risk.

2. Financial statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management’s approach	Audit conclusion	Assessment
<p>Valuations:</p> <p>Land and Buildings: £129,257,000</p> <p>Investment Property: £43,391,000</p> <p>Heritage assets: £10,433,000</p>	<p>Other land and buildings comprise specialised assets such as the leisure centre and theatre which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. Land and buildings which are not specialised in nature are required to be valued at existing use in value (EUV) at year end.</p> <p>The Council has engaged Harrisons Chartered Surveyors to complete the valuation of properties as at 31 March 2022.</p> <p>Management have also considered if there has been a material change in carrying value for properties not revalued during the year. Management have concluded that there has been no material change in value for these properties during 2021-22.</p> <p>Engagement with the Council’s external valuer</p> <p>Our work on revaluations involves detailed testing of valuations for the following individual assets:</p> <ul style="list-style-type: none"> - 26 PPE assets - 20 investment property assets <p>This required us to obtain information from the Council’s external valuer on the underlying calculations, assumptions and source data. We first requested information from the external valuer relating to the 26 PPE assets on 21.2.23, and for the 20 investment property assets on 8.3.23. We then met with the external valuer to discuss the queries relating to PPE assets on 14.3.23. It was agreed that the remaining responses to queries would be provided promptly. However, this did not happen, despite what we understand were repeated attempts by the Council’s finance team to engage with the valuer.</p> <p>Responses relating to the 26 PPE assets were eventually received on 21.6.23. An initial review indicates that there are 8 assets for which the responses are not complete. At the date of this report no responses have been received to the queries on the 20 investment property assets first raised in March 2023.</p> <p>We will be unable to complete our work on the valuation of land and buildings until the information requested from the external valuer has been received.</p>	<p>Work to complete our testing of PPE revaluations is still in progress.</p>	<p>TBC</p>

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit conclusion	Assessment
76	<p>Valuation of heritage assets</p>		TBC
	<p>The draft financial statements included a balance of £10,433,000 for heritage assets. Of this balance £9,090,000 related to museum exhibits. The CIPFA Code states that "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current". In our 2020-21 Audit Findings Report we noted that the relevant exhibits had not been revalued for many years. It was therefore unclear how far the closing valuation used in the 2020-21 financial statements remained current.</p>		
	<p>Management have reviewed this balance and the relevant underlying museum records. They have concluded that there is no clear trail to support the historic valuations for many of the museum exhibits previously included on the balance sheet. A catalogue of assets held in the Council’s Collections Management System (Adlib) has around 10,000 items for which valuations are recorded; management believe that this record should more appropriately form the basis for disclosures in the financial statements. Using this listing the valuation to be included for museum exhibits would be £14,815,000.</p>		
	<p>We noted that many of the valuations on the Adlib record also date from many years ago. Management propose a rolling programme of work over 3-5 years to revalue all items over £50,000. However, we are currently discussing with management how far the current records will support the inclusion of valuations in the 2021-22 financial statements. Any material changes using information which was available in previous years may also require a prior period adjustment.</p>		
	<p>The disclosure on heritage assets includes a number of categories other than museum exhibits. We agreed that additional assets with a value of £625,000 per the Council’s records should be included under these other headings.</p>		

Assessment

- **Dark purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- **Light purple** We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management’s approach	Audit conclusion	Assessment
77	<p>Componentisation of assets</p> <p>The CIPFA Code of Practice on Local Authority Accounting (paragraph 4.1.2.43) requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost shall be depreciated separately (componentisation).</p> <p>The Council does not currently have an accounting policy on asset componentisation and does not apply componentisation when depreciating its assets. This is not consistent with the Code. Typically smaller component assets such as boilers have shorter asset lives, and therefore annual depreciation on the Council’s asset base is likely to be understated.</p> <p>The size of any misstatement cannot be easily quantified. However, we noted that the Council’s largest assets are revalued annually, and that accumulated depreciation on these assets will be written off at that point. Depreciation charges are also capital transactions which are subject to adjusting entries through the Movement in Reserves Statement, and therefore are transactions which will have no impact on the General Fund balance.</p> <p>We concluded that the issue was not material for our opinion. However, we recommend that management agree an accounting policy for asset componentisation and use this as the basis for depreciation calculations in future year.</p>		TBC
	<p>Asset lives for infrastructure assets</p> <p>Infrastructure assets are carried at cost on the balance sheet. The Council’s policy is to depreciate infrastructure assets over 20 years. We noted that at other authorities infrastructure assets are typically depreciated over 50 years. At 31 March 2022 the Council had infrastructure assets with a gross cost of £6,455,000 and a net book value of £2,313,000.</p> <p>We noted that the Council’s infrastructure assets include two steel footbridges with a gross cost of £3,382,000. These assets were almost fully depreciated at 31 March 2022.</p>		

2. Financial Statements – key judgements and estimates

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

Significant judgement or estimate	Summary of management’s approach	Audit conclusion	Assessment
78	<p>We queried if these assets had a significant remaining useful life. Management advised that there is an annual technical assessment of the bridges and that this had concluded they continued to be in good condition. However, this assessment did not provide an estimate of future useful life. Management advised that obtaining this information would potentially require input from an external expert at additional cost.</p> <p>Given that these assets will soon be fully depreciated the Council will need to re-assess their useful asset life at that point. We recommend the Council investigate how best to arrive at an appropriate estimate to support its depreciation calculations.</p>		TBC
	<p>Acquisition of Maidstone House</p> <p>In December 2021 the Council entered in to a 199-year lease agreement for Maidstone House. The agreement involved a one-off payment of £7,070,000 on completion. There are no future payments to the lessor.</p> <p>In the Council’s accounts this acquisition was treated as a purchase of Property Plant and Equipment.</p> <p>We have considered this arrangement and concluded that it meets the criteria to be classified as a finance lease. We are currently discussing with management the appropriate accounting treatment for the 2021-22 accounts. We have agreed that, irrespective of the accounting treatment, additional disclosure will be required to identify the property as a finance leased asset.</p>		

Assessment

- **Dark purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- **Light purple** We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

79

Significant judgement or estimate	Summary of management’s approach	Audit comments	Assessment																																
Net pension liability – LGPS £85,362,000	<p>At 31 March 2022 the Council has a net pension liability of £85,362,000 relating to the Local Government Pension Scheme as administered by Kent County Council.</p> <p>The Council uses an external actuary, Barnett Waddingham, to provide an actuarial valuation of the Council’s assets and liabilities under the scheme. A full valuation is required every three years. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements.</p> <p>For 2021-22 contribution rates for the LGPS scheme continue to be based on the triennial revaluation as at 31 March 2019. A full revaluation has now been performed as at 31 March 2022.</p>	<p>We engage an auditor’s actuary to assess the work of management’s actuary and the reasonableness of the approach used. The auditors’ actuary has provided us with indicative ranges for assumptions, which we report below.</p> <p>To date our work review of the Council’s net pension liability has not identified any issues. However, we have asked management to obtain an updated report from the Council’s actuary detailing the impact of the triennial revaluation on the Council’s net pension liability disclosures as at 31 March 2022. If the impact on the 2021-22 financial statements is material additional audit procedures will be required.</p> <table border="1"> <thead> <tr> <th>Assumption</th> <th>Actuary Value</th> <th>PwC range</th> <th>Within range?</th> </tr> </thead> <tbody> <tr> <td>Discount rate</td> <td>2.6%</td> <td>2.55 -2.60%</td> <td>✓</td> </tr> <tr> <td>Pension increase rate</td> <td>3.2%</td> <td>3.05 -3.45%</td> <td>✓</td> </tr> <tr> <td>Salary growth</td> <td>4.2% 4.3%</td> <td>CPI + 1% CPI + 1%</td> <td>✓ ✓</td> </tr> <tr> <td>Life expectancy – Males currently aged 45</td> <td>23.0</td> <td>21.9 - 24.4</td> <td>✓</td> </tr> <tr> <td>aged 65</td> <td>21.6</td> <td>20.5 – 23.1</td> <td>✓</td> </tr> <tr> <td>Life expectancy – Females currently aged 45</td> <td>25.1</td> <td>24.9 - 26.4</td> <td>✓</td> </tr> <tr> <td>aged 65</td> <td>23.7</td> <td>23.4 – 25.0</td> <td>✓</td> </tr> </tbody> </table>	Assumption	Actuary Value	PwC range	Within range?	Discount rate	2.6%	2.55 -2.60%	✓	Pension increase rate	3.2%	3.05 -3.45%	✓	Salary growth	4.2% 4.3%	CPI + 1% CPI + 1%	✓ ✓	Life expectancy – Males currently aged 45	23.0	21.9 - 24.4	✓	aged 65	21.6	20.5 – 23.1	✓	Life expectancy – Females currently aged 45	25.1	24.9 - 26.4	✓	aged 65	23.7	23.4 – 25.0	✓	TBC
Assumption	Actuary Value	PwC range	Within range?																																
Discount rate	2.6%	2.55 -2.60%	✓																																
Pension increase rate	3.2%	3.05 -3.45%	✓																																
Salary growth	4.2% 4.3%	CPI + 1% CPI + 1%	✓ ✓																																
Life expectancy – Males currently aged 45	23.0	21.9 - 24.4	✓																																
aged 65	21.6	20.5 – 23.1	✓																																
Life expectancy – Females currently aged 45	25.1	24.9 - 26.4	✓																																
aged 65	23.7	23.4 – 25.0	✓																																

Assessment

- **Dark purple** We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- **Blue** We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider optimistic
- **Grey** We consider the estimate is unlikely to be materially misstated however management’s estimation process contains assumptions we consider cautious
- **Light purple** We consider management’s process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management. We have not been made aware of any significant incidents in the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's year-end cash and investment balances. For one balance we did not receive a response and used alternative procedures to obtain the assurance required for our opinion purposes. We received positive confirmation for all other balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	At the date of this report we have not obtained all of the information requested from the Council's external valuer.

2. Financial Statements – other communication requirements



Our responsibility

As auditors, we are required to “obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern” (ISA [UK] 570).

81

Issue	Commentary
Going concern	<p>In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities:</p> <ul style="list-style-type: none">• the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and• for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. <p>Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated:</p> <ul style="list-style-type: none">• the nature of the Council and the environment in which it operates;• the Council's financial reporting framework;• the Council's system of internal control for identifying events or conditions relevant to going concern; and• management's going concern assessment. <p>On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that:</p> <ul style="list-style-type: none">• a material uncertainty related to going concern has not been identified; and• management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial statements – other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements including the Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>Our work to date has not identified any inconsistencies. Subject to the completion of all outstanding work we plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a number of areas:</p> <ul style="list-style-type: none"> • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. <p>Subject to the completion of our work on the Council’s arrangements to secure economy, efficiency and effectiveness in its use of resources we have nothing to report on these matters.</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>We have confirmed that the Council does not exceed the thresholds specified by the National Audit Office for 2021-22. As such no detailed work will be required.</p>
Certification of the closure of the audit	<p>We intend to delay the certification of the closure of the 2021-22 audit as our VFM work is not yet complete.</p>

82



3. Value for Money arrangements

Approach to Value for Money work for 2021-22

The National Audit Office issued its guidance for auditors in April 2020. The Code requires auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.



Improving economy, efficiency and effectiveness

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



Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).



Governance

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

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:



Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.



Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.



Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM – our procedures and conclusions

We are currently completing our assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our assessment covers both the 2021-22 and 2022-23 financial years. As we have not yet completed all of our VFM work we are not in a position to issue our Auditor's Annual Report.

As part of our work we consider whether there are any risks of significant weakness in the Council's arrangements. We have not identified any risks of significant weakness in the Council's arrangements from our work to date.

4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

85 Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see [Transparency report 2020 \(grantthornton.co.uk\)](https://www.grantthornton.co.uk).

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	18,400	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the planned fee for this work is £18,400 in comparison to the total fee for the audit of £64,666 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
		Self review (because GT provides audit services)	To mitigate against the self review threat, the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Appendices

A. Action plan – Audit of financial statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021-22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	The Council does not currently have an accounting policy on asset componentisation and does not apply componentisation when depreciating its assets.	<p>We recommend that management agree an accounting policy for asset componentisation and use this as the basis for depreciation calculations in future years.</p> <p>Management response <i>Response to follow</i></p>
	The Council's infrastructure assets include two steel footbridges which are almost fully depreciated as at 31 March 2022. We understand that the most recent technical assessment of the bridges has concluded that they continue to be in good condition, but did not provide an estimate of future useful life.	<p>As these assets will soon be fully depreciated the Council will need to re-assess their useful asset life at that point. We recommend the Council investigate how best to arrive at an appropriate estimate to support its depreciation calculations.</p> <p>Management response <i>Response to follow</i></p>

Controls

-  High – Significant effect on financial statements
-  Medium – Limited effect on financial statements
-  Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2020-21 financial statements, which resulted in recommendations being reported in our 2020-21 Audit Findings report. We record here our follow-up on the implementation of these recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
88 ✓	<p>The statutory accounting requirements per the CIPFA code include the use of a Capital Grants Unapplied Account. The Council does not include a Capital Grants Unapplied Account in its financial statements.</p> <p>We recommended that the value of transactions meeting the criteria to be accounted for as capital grants unapplied is assessed as part of closedown procedures in future years, Where transactions meeting the criteria are identified then these should be processed through a capital grants unapplied account.</p>	<p>Management performed an assessment to identify balances meeting the criteria for classification as capital grants unapplied as part of yearend closedown procedures. As the balance was not material the accounts were not adjusted.</p>
✓	<p>Management presented its draft financial statements to the 28 July 2021 Audit Governance and Standards Committee. In practice further work was required to finalise the accounting entries in respect of property, plant and equipment. A revised version of accounts with material changes relating to these disclosures was published on 29 July 2021.</p> <p>We recommend that the Council reviews its closedown timetable for 2021-22 to minimise the risk that the financial statements will need be re-published.</p>	<p>The Council published its draft accounts on 18 July 2022. The 2021-22 financial statements have not been re-published.</p>
✘	<p>The balance for heritage assets included £9,090,000 representing the value of museum exhibits which were last formally valued on 1 April 2011. The CIPFA Code states that "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current". It is unclear how far the valuation used in the 2020-21 financial statements remains current.</p> <p>We recommend that management should perform sufficient work to satisfy themselves that the valuation for the museum exhibits included in the financial statements remains current. This may also be relevant for insurance purposes.</p>	<p>Management have reviewed this balance and the relevant underlying museum records. They have concluded that there is no clear trail to support the historic valuations for many of the museum exhibits previously included on the balance sheet.</p> <p>Management now propose to update the figure in the financial statements using information from the Council's Collections Management System. However, many of the valuations recorded on this system also date from many years ago and therefore it is unclear if they are current. We are discussing with management how far the records per the Collections Management System will support the inclusion of valuations in the 2021-22 financial statements.</p>

Assessment

- ✓ Action completed
- ✘ Not yet addressed

C. Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

06

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
Long term Debtors		(2,130)	
Short term Debtors		2,130	
A calculation to split debtors between short and long term debtor balance and an understatement of the short-term creditor balance by £2.13m.			
PPE		(1,109)	
Investment Property		1,109	
An amount of £1,109k relating to Springfield Mill had been classified as PPE Assets Under Construction but should have been classified under Investment Property.			
Heritage Assets		5,725	
Revaluation reserve	(5,725)	(5,725)	(5,725)
In 2021-22 management proposes to use different valuation records to support the valuation for museum exhibits included in the financial statements. The impact is to increase the balance by £5.725m. We are currently discussing the appropriateness of this adjustment with management.			
Carry forward total	(5,725)	0	(5,725)

C. Audit adjustments

We are required to report all non trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
Brought forward total	(5,725)	0	(5,725)
CIES: Cost of Services	1,259		
CIES: Taxation & Non-Specific Grant Income	(1,259)		
<p>Covid 19 grants totalling £1.259m had been accounted for as specific grants but should have been accounted for as non ring-fenced grants and therefore disclosed at the line for Taxation & Non-Specific Grant Income.</p>			
Total	(5,725)	0	(5,725)

C. Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021-22 audit which have not been made within the final set of financial statements. The Audit, Governance and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on total net expenditure £000	Reason for not adjusting
PPE		(211)		
Revaluation Reserve	211	211	211	
<p>We identified 11 assets where the value included on the fixed asset register and in the financial statements differed from the external valuer's report. In aggregate PPE assets were overstated by £211,000.</p>				
				Management consider the issue is not material. Error corrected in 2022-23 GL
92 Capital Grants Receipts in Advance		391		
Grant Income	(391)			
Revenue Appropriation	391			
Capital Grants unapplied		(391)		
<p>The financial statements include a balance of £9,000,000 for Capital Grants Received in Advance. An amount of £391,000 included in this balance should have been classified as Capital Grants Unapplied.</p>				
				Management consider the issue is not material. Error corrected in 2022-23 GL
Overall impact	211	0	211	

Impact of prior year unadjusted misstatements

The only prior period adjustment related to a valuation error; the valuation for one investment property (Parkwood - Integra) was understated by £211,000. As this property has been revalued in 2021/22 there is no impact to be considered for our work on the 2021/22 financial statements.

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

93

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issue	Adjusted?
Note 1 Expenditure & Funding Analysis The EFA provides a reconciliation between the financial outturn reported to members and the closing General Fund balance per the CIES. On the EFA the financial outturn reported to members is at the column "Net expenditure chargeable to General Fund". Although the total at this column was correct, the analysis in the column was incorrect, as total expenditure at the line for "Communities Housing and Environment" had been misstated by £1,687,000 with an off-setting misstatement at the line for "Other Income & Expenditure".	✓
Note 1 Expenditure and income analysed by nature This note includes totals for gross income and gross expenditure which should reconcile to the CIES. Although the net total ("surplus/deficit on the provision of services") did agree to the CIES, there were unreconciled differences at the level of gross income and gross expenditure of approximately £300,000.	X
Note 15 Capital Grants received in advance At note 15 the lines "Grants received" and "Funding used for Capital Expenditure" are understated by £137k. There was no net impact on the balance for capitals grants received in advance.	✓
Note 16 Related Parties The note disclosure stated that the amount payable from Maidstone Property Holdings at yearend was £359k. The correct value was £545k.	X
Note 17 Property, Plant and Equipment Upon reconciling the external valuers report to the Fixed Asset Register we identified one asset (Trinity Foyer) with a value of £1.4m which had been misclassified as operational land and buildings (OLB) as the valuer had deemed this asset still under construction (AUC) at yearend. No impact on final year-end closing Total PPE balance – adjustment to the OLB and AUC classification totals was required.	✓

C. Audit Adjustments

Disclosure issue	Adjusted?
<p>Note 18 Investment properties</p> <p>As series of adjustments were required to the analysis in the columns for “Investment Properties” and “Assets Under Construction”. In the column for “Investment Properties” an amount of £1,903,000 originally classified as Additions should have been disclosed under Transfers. In the column for “Assets Under Construction” the amounts disclosed at the lines for Additions and Transfers had both been misstated by £2,337,000.</p>	✓
<p>Note 20 Financial Instruments</p> <p>We identified that management had incorrectly used the ‘premature repayment rate’ when computing the fair value of long-term loans. The rate that should have been used was the ‘new loans rate’. As a result the fair value for loans disclosed at Note 20 was overstated by £1.4m.</p>	✓
<p>Note 20 Financial Instruments and Note 23 Debtors</p> <p>At Note 23 Debtors the total at the line “Other entities and individuals” had been overstated by £1,339,000 and other lines understated by an equivalent amount.</p> <p>This error also had an impact on Note 20 Financial Instruments, where the total for financial assets had been overstated by £1,339,000.</p>	✓
<p>Note 25 Creditors</p> <p>Note 25 included a line for “Other local authorities” – this has been amended to “Other public sector bodies”. Amounts due to Kent CC had been included at the line “Other entities and individuals”. It was agreed these amounts would more properly be disclosed at the line for “Other public sector bodies”. The amounts involved are as follows:</p> <p>“Other public sector bodies” Increase by c. £9m in PY and £14m in CY</p> <p>“Other entities and individuals” reduced by c. £9m in PY and £14m in CY</p>	✓

C. Audit Adjustments

95

Disclosure omission	Adjusted?
<p>Note 26 Provisions In the draft accounts the total per the disclosure note for provisions did not agree to the balance sheet. Amendment agreed to the disclosure note increasing the total by £168k.</p>	✓
<p>The financial statements were first published in July 2022. Our audit work was performed on a revised set of accounts received in January 23. We noted that the following disclosures were not updated from previous versions:</p> <ul style="list-style-type: none"> Note 31: Capital expenditure and capital financing Note 35: Cash Flow Statement – Adjustments made to Net Surplus or deficit on the provision of services for non-cash movements. 	✓
<p>Note 35 and 36 Cash Flow statement At these notes the following prior year figures were incorrect; Note 35 - Derecognition of NCA – reported value = £3851k, correct value = 5805k Note 36 - Capital Grants credited to surplus - reported value = £5791k , correct value = £5051k Note 36 - Proceeds from sale of PPE - reported value = £1962k , correct value = £3551k</p>	<p>X Management has agreed to adjust – to be included in the next version.</p>
<p>Various minor changes to amounts and narrative at other disclosure notes</p>	✓

D. Fees

We set out below our fees charged for the audit and the provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council audit	£64,666*	TBC
Total audit fees (excluding VAT)	£64,666	TBC

The proposed fee for the audit reconciles to Note 14 in the financial statements.

96 This fee excludes any work to assess the impact of the Kent Pension Fund triennial revaluation on the pensions disclosures in the financial statements. We estimate the additional fee associated with this work will be £6,000.

Non-audit fees for other services	Proposed fee	Final fee
Housing benefit subsidy claim	£18,400	TBC
Total non-audit fees (excluding VAT)	£18,400	TBC

Agenda Item 15

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

24 July 2023

Draft Annual Accounts 2022/23

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Mark Green, Director of Finance, Resources & Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager (Client)
Classification	Public
Wards affected	All

Executive Summary

This report presents the unaudited draft Statement of Accounts for 2022/23. The Statement will be subject to external audit prior to it being brought back to the Committee for formal approval.

Purpose of Report

To give the Committee the chance to review the draft Statement of Accounts and to raise any questions they may have prior to the external audit.

This report makes the following recommendations to this Committee:

1. That the unaudited Statement of Accounts for 2022/23 are noted.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	24 July 2023

Draft Annual Accounts 2022/23

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, Resources & 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, Resources & Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance, Resources & Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2023, and details the council's assets, liabilities and reserves at this date.	Director of Finance, Resources & Business Improvement
Staffing	No implications identified.	Director of Finance, Resources & Business Improvement
Legal	<p>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.</p> <p>The Council is required to produce a statement of account in accordance with the Accounts and Audit (England) Regulations 2015.</p> <p>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</p>	Team Leader Corporate Governance

	<p>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 Corporate Services Policy Advisory Committee or Council.</p> <p>The Statement is required to be signed off by the Director of Finance, Resources & Business Improvement by 31st May 2023 and following the external audit to be approved and published by 30th September 2023.</p>	
Privacy and Data Protection	No implications identified.	Director of Finance, Resources & Business Improvement
Equalities	The report is for noting and contains no recommendations that would propose a change in service, therefore no equalities impact assessment will be required.	Equalities & Communities Officer
Public Health	No implications identified.	Director of Finance, Resources & Business Improvement
Crime and Disorder	No implications identified.	
Procurement	No implications identified.	Director of Finance, Resources & Business Improvement
Biodiversity and Climate Change	<p>The implications of this report on biodiversity and climate change have been considered and are;</p> <ul style="list-style-type: none"> • There are no implications on biodiversity and climate change. 	Biodiversity and Climate Change Officer

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 30th September 2023 in accordance with the Accounts & Audit Regulations.
- 2.2 Prior to that the Statement has to be signed by the Director of Finance, Resources & Business Improvement as presenting a true and fair view of

the Council's financial position by 31st May 2023 and will then be subject to an external audit the date of which is yet to be confirmed.

2.3 This report gives the Committee the opportunity to review the Statement prior to the external audit and to raise any questions they may have.

2.4 The Statement of Accounts consists of:

Narrative Report – this summarises the Council's performance over the financial year 2022/23 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 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 31st March 2023, 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 31st March 2023.

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.

2.5 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. of complex and detailed disclosures which accompany the main financial statements.

- 2.6 Due to the impact of the Covid-19 pandemic on local authorities the Government amended the deadlines for the publication and approval of the accounts for the financial years 2019/20, 2020/21 and 2021/22. However, for 2022/23 they have reverted to the original deadlines as set out at paragraphs 2.1 and 2.2 of this report.
- 2.7 The Committee will be aware of delays in auditing the Statements for both 2020/21 and 2021/22, which was a reflection of both local issues and the wider problems with the external audit process nationally. These delays have impacted on the production of the Statement for 2022/23 and meant that it was not possible to meet the 31st May deadline for signing the accounts.
- 2.8 At the time of writing this report the audit of the 2021/22 Statement is close to conclusion, and there is an updated report on this elsewhere on the agenda. The external auditors are not in a position to confirm a date for the audit of the 2022/23 Statement until that audit is completed, so it is highly unlikely that the 30th September deadline for the approval of the accounts by this Committee will be met.
- 2.9 The Narrative Report is attached at Appendix 1. The unaudited version of the statement is attached at Appendix 2. At this stage members should treat this document as a draft and subject to change. It should be noted that the revaluation figures for land and buildings have yet to be received, therefore a number of the notes will be subject to change, and the Cashflow Statement and Notes cannot be completed either until we have received these figures. The delay in receiving these figures is due in part to the valuer having to deal with a number of detailed queries relating to the audit of the 2021/22 Statement of Accounts.
- 2.10 There will also be adjustments to some of the opening balances once the audit of the 2021/22 Statement is complete and an audit opinion has been issued. Once the 2022/23 Statement is completed then it can be signed by the Director of Finance, Resources and Business Improvement and published on the Council's website.
- 2.11 The headline messages from the draft Statement of Accounts as they are presented can be summarised as follows:
- There has been a significant reduction of £73m in the pensions liability. This has come about due to a change in the discount rate used, which is linked to short-term interest rates, which have of course risen significantly over the last few months.
 - Cash & Cash Equivalents have reduced significantly by £25m as the short-term liquid investments held at the start of the year have been used to fund the capital programme, and for making Support for Energy payments to eligible households along with some other Covid-19 related payments.
 - The monies received from the Government for the Support for Energy payments and the other Covid-19 payments were showing on the Balance

Sheet as Creditors, so now they have been paid out this is reflected in the reduction of £27m in the Creditors balance.

- 2.12 When the revaluation figures are received and processed the impact will be focused on the balances for Property, Plant & Equipment, Investment Properties and Unusable Reserves. There will be no impact on cash resources that are available for the Council to use.
-

3. AVAILABLE OPTIONS

- 3.1 The recommendation being made to the Committee is to note the draft Statement of Accounts for 2022/23.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That the draft Statement is noted with the Committee having had an opportunity to review it prior to the external audit commencing.
-

5. RISK

- 5.1 Failure to meet the statutory deadlines 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, in common with many other authorities where audits are behind schedule. The impact of this risk materialising would in normal circumstances 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. However, in the current circumstances the impact is mitigated by the fact that many other councils are in the same position.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this will be published on the Council's website when the accounts are published, and the public will have a specified period to submit enquiries.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The external audit will commence on a date to be confirmed.
-

8. **REPORT APPENDICES**

- Appendix 1: Narrative Report 2022/23
 - Appendix 2: Unaudited draft Statement of Accounts 2022/23
-

9. **BACKGROUND PAPERS**

None

NARRATIVE REPORT

2022/2023

Overview

The year ending 31 March 2023 saw Maidstone Borough Council's income continuing to recover from the effects of the Covid-19 pandemic. However, service expenditure reflected particular pressure from the rapid increase in homelessness, with the cost of providing temporary accommodation running well ahead of budget. Strong financial controls enabled the Council to remain within budget overall.

The impact of rising prices was absorbed during the year, but this will be a significant risk in future, particularly as the Council is severely constrained in its capacity to increase revenues in response to increased costs because of the Council Tax referendum limit.

The Council maintains an adequate but not excessive level of reserves and had borrowing of just £10 million as at 31 March 2023. There is therefore capacity for further borrowing to fund the Council's capital programme, in particular the 1,000 Affordable Homes programme.

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

- Key facts about Maidstone
- Background information about Maidstone and the Council
- Maidstone's Strategic Plan and Medium Term Financial Strategy
- Key achievements in 2022/23
- Performance against key indicators
- Summary of financial performance
- Risk management
- Future plans





Key Facts about Maidstone

POPULATION OF MAIDSTONE BOROUGH

2022	180,300
2021	176,600

UNEMPLOYMENT IN BOROUGH

2022	2.8%
2021	3.6%

NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH

2022	8,320
2021	7,995

BUSINESS RATES GENERATED

2022/23	£54.6 million*
2021/22	£43.5 million*

*net of Covid-19 Business Rates relief

WEEKLY PAY FOR A FULL-TIME WORKER

2022	£615.10
2021	£631.40

COUNCIL GROSS REVENUE

2022/23	£94.5 million
2021/22	£105.4 million

COUNCIL REVENUE GENERATED LOCALLY (Excluding Covid-19 Grants)

2022/23	91.8%
2021/22	93.5%

COUNCIL SURPLUS AGAINST BUDGET

2022/23	0.9%
2021/22	2.4%

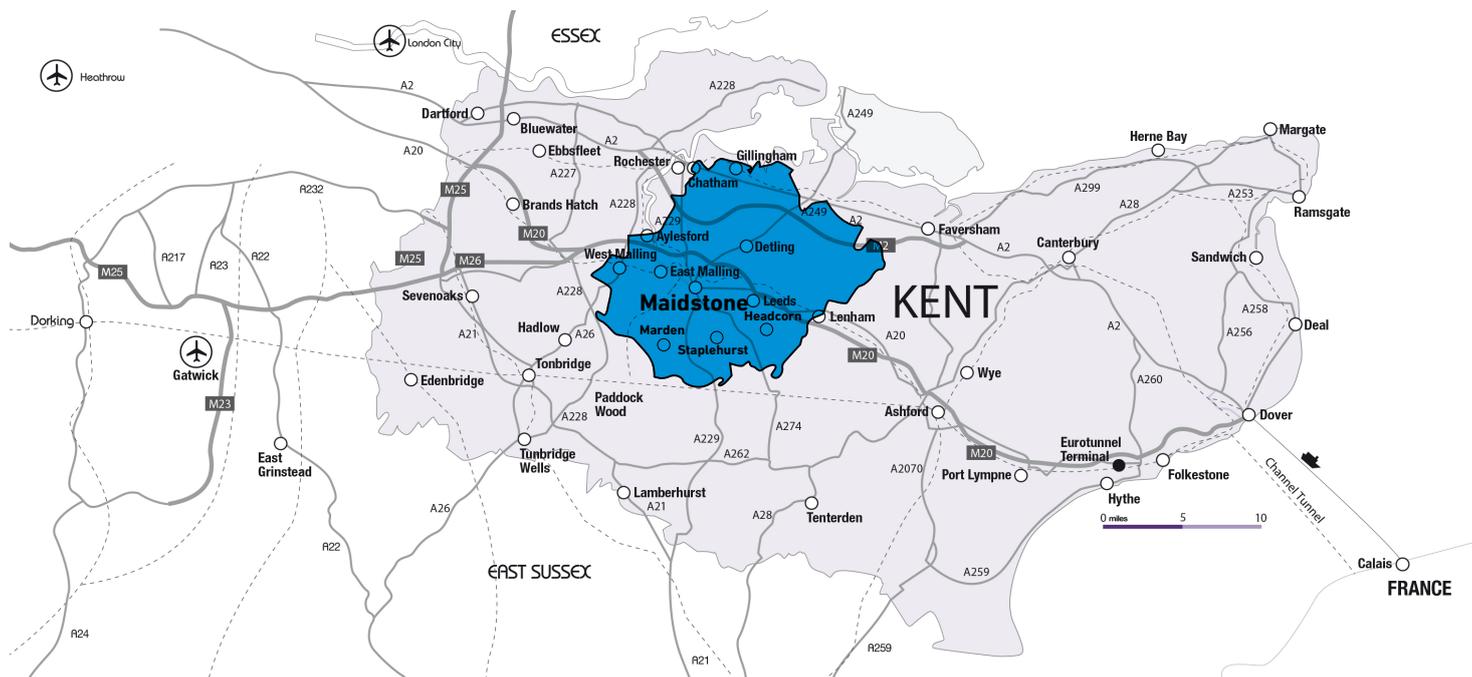
COUNCIL INVESTMENT IN LONG TERM ASSETS

2022/23	£193.6 million
2021/22	£185.3 million

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

2022/23	£23.7 million
2021/22	£23.6 million

About Maidstone



Maidstone is the largest borough council district in Kent, with 175,800 residents recorded in the 2021 census. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area there are local service centres such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham and many smaller villages.

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

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

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



About the Council

The Council is accountable to local residents through its 55 councillors.

Following the latest borough elections in May 2023, the political composition of the Council is:

Conservative	25
Liberal Democrat	12
Independent Group	6
Green Independent Alliance	6
Labour	4
Fant & Oakwood Independents	2

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

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

The Council employed 527 people (490 full time equivalent) at 31 March 2023, 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 & 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. The Strategic Plan sets out four 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 2022/23 against these priorities and key performance indicators are set out in the following section.

Areas of focus within the overall Strategic Plan are refreshed annually. These are consistent with the vision and the four priorities, and respond to the current national and local environment including recovery from the Covid-19 pandemic, increased housing need, financial insecurity and the climate crisis.

A Medium Term Financial Strategy (MTFS) sets out in financial terms how the Council will deliver its strategic plan over the next five years and is updated annually. Recognising that there is a high degree of uncertainty about the medium term outlook, financial projections are prepared under a range of different scenarios. The scenario adopted for the purpose of detailed financial planning assumes continued high inflation, leading to fiscal tightening and

continued restraints on local government spending. The MTFS is linked to the Council's Capital Strategy, which sets out how the capital programme will meet the Council's strategic priorities, whilst remaining affordable and sustainable.

In drawing up a budget for 2022/23, the Council anticipated the likely rise in the rate of inflation by establishing an in-year corporate contingency budget of £1.3 million. In the event, this contingency has not been required. The impact of inflation has in some cases been delayed, and to the extent that there have been overspends, eg on energy costs, these have been offset by savings elsewhere. The contingency will therefore be rolled forward to 2023/24.

When setting the budget for 2022/23, the Council allocated £3.2 million of New Homes Bonus receipts for the Housing Investment Fund, to be used to fund the subsidy required for the Affordable Housing programme. The 2023/24 budget anticipates a further contribution of £4.0 million to the Housing Investment Fund.

The Council's balance sheet position remains strong, with £11 million of unallocated General Fund reserves at the end of 2022/2023.

Key achievements

EMBRACING GROWTH AND ENABLING INFRASTRUCTURE



● Heathlands Garden Community

This project has continued to advance. The new community will deliver 5,000 new homes, 5,000 jobs, and an array of new community infrastructure to include a new railway station, three district centres, three schools, a town park, and a county park. The Council is delivering the project through a joint venture with Homes England and has been jointly promoting Heathlands through the Council's own Local Plan Review. Heathlands remains a draft allocation within the new plan and was positively received at the first stage Local Plan Review Hearings in the Autumn of 2022. The Council will continue to work with Homes England to secure the allocation and then planning permission. Once these milestones are met, Homes England will undertake the master-developer role, and the Council will focus upon the long-term management and stewardship of the new community.

● Maidstone Innovation Centre

The Maidstone Innovation Centre is an award-winning building designed by Bond Bryan architects. Since its official opening ceremony in March 2022, it has established itself as a hub for MedTech, Life Science and Healthcare. Maidstone Innovation Centre strives to create an ecosystem that increases the output of high-tech health innovations. The buildings offer flexible spaces and memberships. The centre currently supports 22 businesses and 135 jobs, working to revolutionise healthcare through activities such as medical device manufacturing and diagnostics. In total, 61 businesses have completed the Centre's wraparound business support programme, which has led to 4 businesses taking up workspace within the centre. The Innovation Centre works in partnership with universities, colleges, NHS, funders, investors and commercial businesses. It organises several networking events to develop the community of businesses, sharing knowledge and creating collaboration.

HOMES AND COMMUNITIES



● 1,000 Affordable Homes Programme

The Council has established a goal to build 1,000 Affordable Homes over the coming years. This decision was made in January 2022 and since then a new team has been created to deliver on this ambition. A number of individual housing projects are now under way. The Council has in the past year completed land assembly at the Maidstone East (former Royal Sorting Office), Springfield Library and Britannia House sites which together have the potential to provide circa 365 residential plots. Furthermore, the Council has acquired four affordable rented homes from a developer. The Council also secured planning permission to build 11 new homes on an existing land asset that it owns, the former Royal British Legion site in Parkwood, for which a construction contract is soon to be let as part of a broader regeneration project that will also deliver a brand-new community centre.

SAFE, CLEAN AND GREEN



● Mote Park

The Mote Park Café, Visitor Centre, and Estate Services Building were all completed in the Autumn 2022 by the Council's contractor BBS. These buildings represent a further £3 million of investment by the Council in the community infrastructure within the borough's most prominent park. The Café and Visitor Centre facilities are of an exemplar design quality which was imperative given the Grade II Listed status of the Park. The visitor centre provides learning opportunities for all, most notably for younger students visiting from local schools. There are also new public toilets, to include a "Changing Places" facility too, and the café is being operated successfully by a private sector partner. The new buildings have achieved the Building Research Establishment Environmental Assessment Method (BREEAM) Very Good rating, which is consistent with the Council's ambitions in respect of climate change and biodiversity.



● **New Museum Gallery**

Work is under way to install a new Gallery in the vacant West Space (formerly a café) at Maidstone Museum. The Gallery will use the Museum's wealth of archaeological material to tell the story of Maidstone from the earliest inhabitants to 1600 AD. The gallery will show visitors how the borough and its surroundings grew, developed and provided homes for people. It will introduce them to individuals representing different eras and different facets of life in our early history through use of artefacts improving the way they are displayed and interpreted with printed text as well as video footage, digital presentations and sound to create an environment which takes visitors to heart of the story. The Council is working in collaboration with external supporters including the Maidstone Museums Foundation, the William & Edith Oldham Charitable Trust and the Kent Archaeological Society.

● **UK Shared Prosperity Fund**

In December 2022 the government confirmed our local investment plan. We have taken a proactive approach and started delivering projects from August 2022 to ensure the year's allocation could be spent. The majority of the UKSPF projects in year 1 have been focussed on the Town Centre, in response to the pandemic, with a particular focus on pride in place through events such as the Magic of Christmas trail and parade. We also introduced a creative community fund to support the voluntary and community sector to put on events and activities. This was oversubscribed and 18 events/projects were supported. Preparation and planning for year 2 projects started in early 2023. A number of the projects are a continuation of year 1 projects. Highlights for year two include a Literacy festival, an Iggy Sculpture Trail throughout the Town Centre and a green volunteering project with the charity Involve to improve pockets of green space in our town centre.



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	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Customer satisfaction with the Hazlitt	Leisure	100%	75%		-
Percentage of vacant retail units in the town centre	Economic Development	16.3%	11%		
Number of visits per month to Visit-Maidstone.com	Economic Development	493,340	240,000		
Footfall in the Town Centre	Economic Development	3,553,707	4,128,349		
Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]	Economic Development	2.9%			
Number of students benefitting from the museums educational service	Museum	14,239	16,000		
Footfall at the Museum and Visitors Information Centre	Museum	6,258	12,000		
Number of users at the Leisure Centre	Leisure	248,850	805,257		
Business Rates income from the Town Centre	Economic Development	£23,554,806			
Total value of business rateable properties	Economic Development	£149,209,476			

PRIORITY: Clean, Safe & Green

Performance Indicator	Service	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Percentage of unauthorised encampments on Council owned land removed within 5 working days	Community Protection	50%	100%		
The percentage of relevant land and highways that is assessed as having acceptable levels of litter	Waste Crime Team	97.65%	98%		
The percentage of relevant land and highways that is assessed as having acceptable levels of detritus	Waste Crime Team	94.45%	95%		
Percentage of fly tips with evidential value resulting in enforcement action	Waste Crime Team	101.4%	89%		
Maintenance per Hectare Spent on Parks and open Spaces	Parks & Open Spaces	£5,222			
Number of Green Flag Parks	Parks & Open Spaces	4	4		-
Actual Spend of Section 106 money	Parks & Open Spaces	£160,854			
Percentage of household waste sent for reuse, recycling and composting	Waste & Recycling	49.72%	53%		
Contamination: Tonnage per month rejected	Waste & Recycling	1708.52	1,150.00		
Percentage of fly tips assessed within 2 working days	Street Cleansing	78.84%	94%		

PRIORITY: Homes & Communities

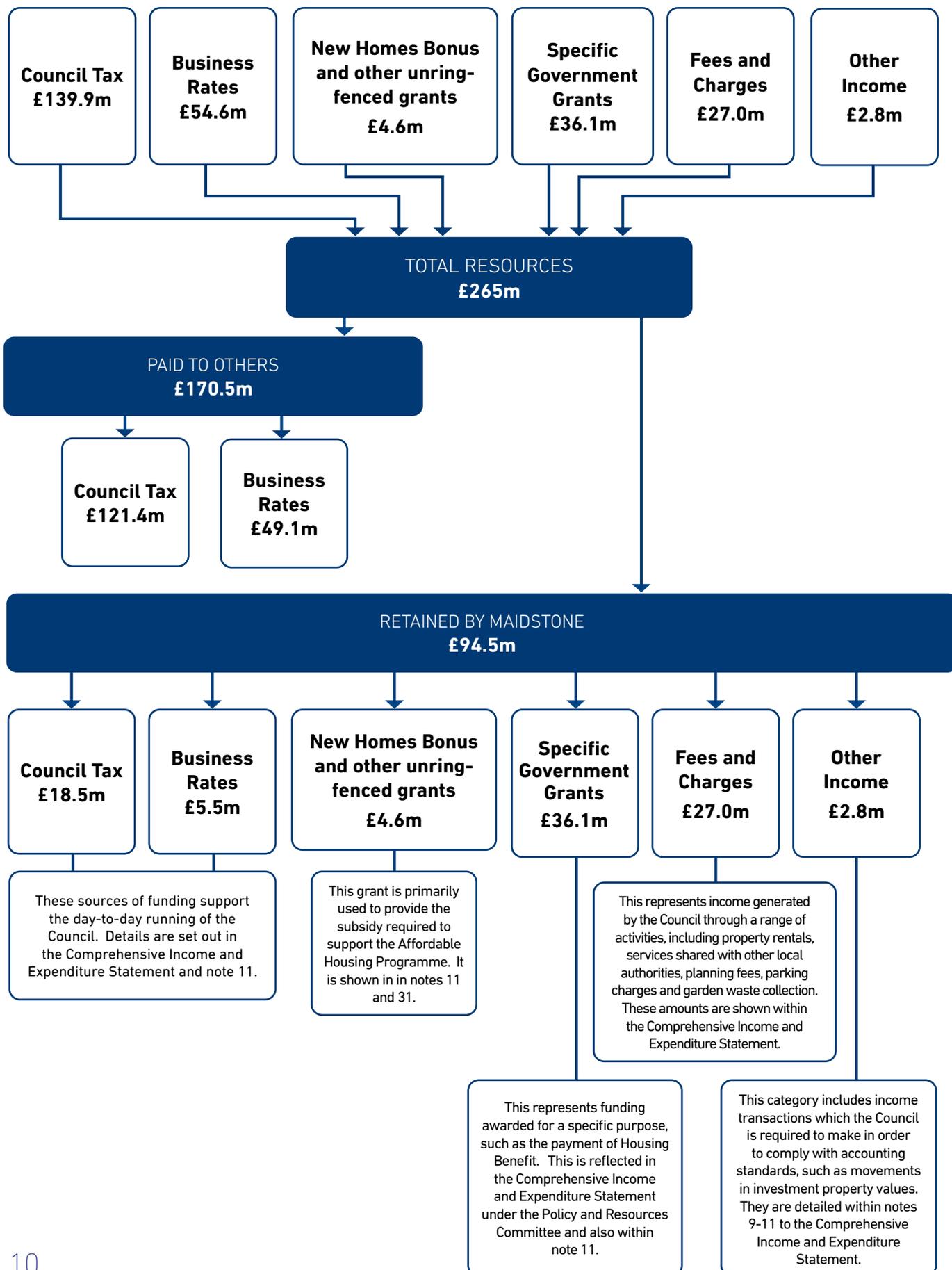
Performance Indicator	Service	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Number of completed housing assistances	Housing & Health	356			
Number of houses of multiple occupation brought to compliance by private rented sector licensing	Housing & Health	TBC	TBC	TBC	TBC
Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00)	Housing & Health	839			
Number of households living in nightly paid temporary accommodation last night of the month	Housing & Health	429			
Number of households housed through the housing register	Housing & Health	553	450		
Percentage of successful Prevention Duty outcomes	Housing & Health	70.01%	60%		
Number of households prevented or relieved from becoming homeless	Housing & Health	492	450		
Percentage of successful Relief Duty outcomes	Housing & Health	43.06%	60%		
Percentage of gas safety certificates in place on all residential properties	Housing & Health	99.64%	100%		
Percentage of all electrical safety certificates on all residential properties	Housing & Health	100%	100%		-
Percentage of Fire Risk Assessments in place for residential properties where this is a requirement under the Fire Safety Order (2005)	Housing & Health	100%	100%		-
Percentage spend and allocation of Disabled Facilities Grant Budget (YTD)	Housing & Health	107.6%	75%		

PRIORITY: Embracing Growth & Enabling Infrastructure

Performance Indicator	Service	2022/23 Out-turn	2022/23 Target	Status	Compared to 2021/22
Percentage of priority 1 enforcement cases dealt with in time	Development Management	87.5%	95%		
Percentage of Priority 2 enforcement cases dealt with in time	Development Management	97.25%	90%		
Number of enforcement complaints received	Development Management	375			
Open planning enforcement cases (as of start of March 2021)	Development Management	312			
Processing of planning applications: Major applications (NI 157a)	Development Management	90.91%	90%		
Processing of planning applications: Minor applications (NI 157b)	Development Management	93.33%	95%		
Processing of planning applications: Other applications (NI 157c)	Development Management	98.35%	98%		
Number of affordable homes delivered (Gross)	Economic Development	378	200		
Affordable homes as a percentage of all new homes	Economic Development	Data not yet available			
Net additional homes provided (NI 154)	Development Management				

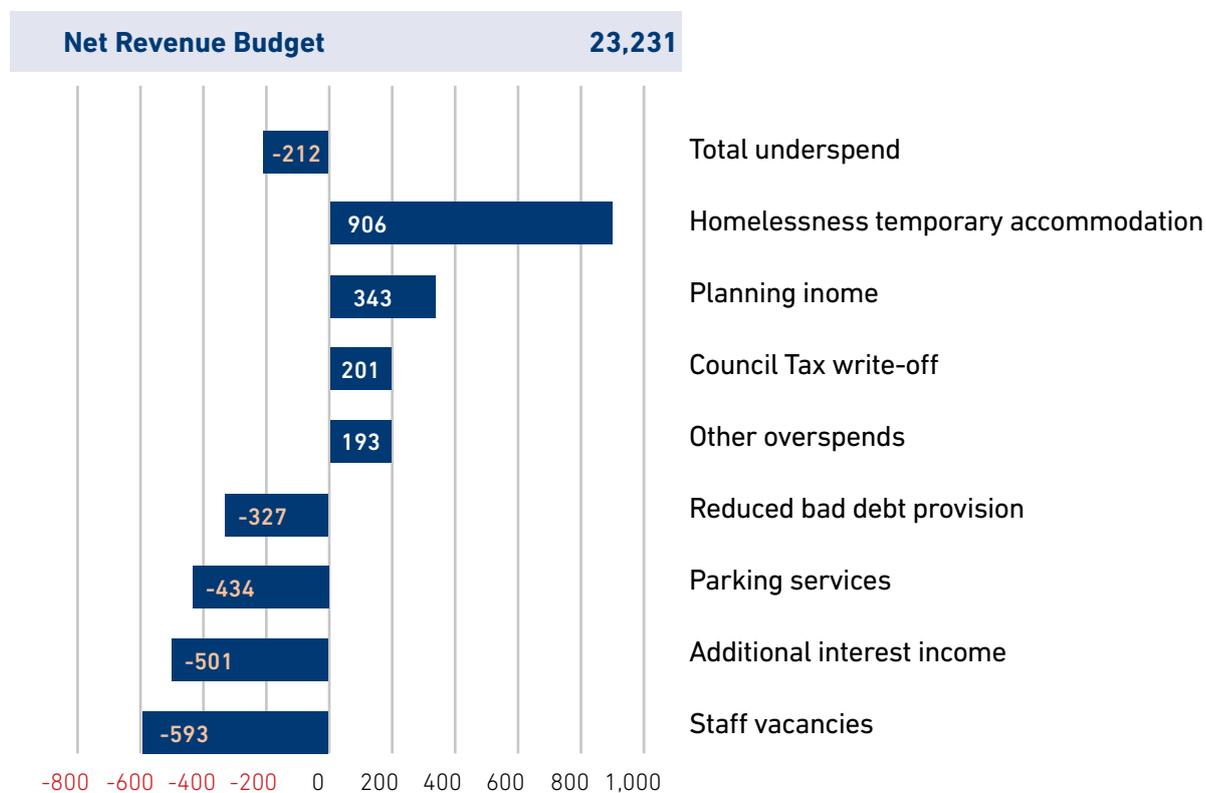
Financial Performance

The total revenue resources generated by the Council for 2022/23, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £265 million (£256 million in 2021/22). The table below shows the total amounts received and the amounts retained by the Council.



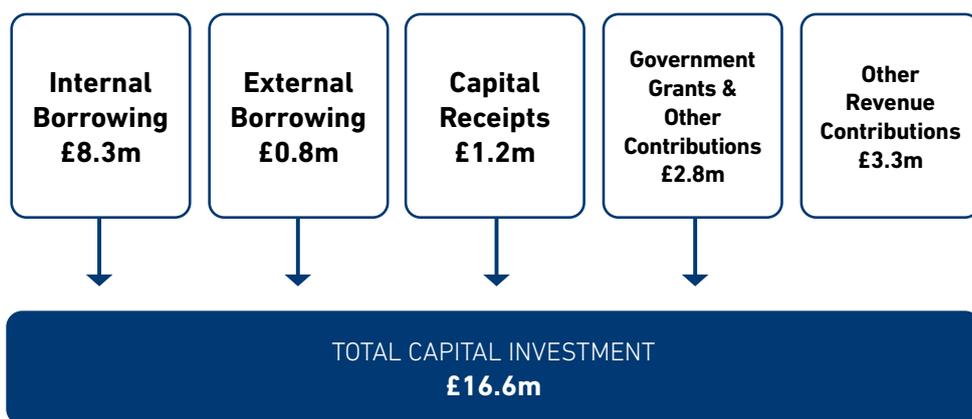
Revenue Out-Turn

The revenue out-turn for the year represented an underspend of £212,000 on a total net revenue budget of £23.231 million. Overspends, primarily on temporary accommodation, were more than offset by savings arising from staff turnover and additional income.



Capital

Capital investment in 2022/23 amounted to £16.6 million, funded as shown below.



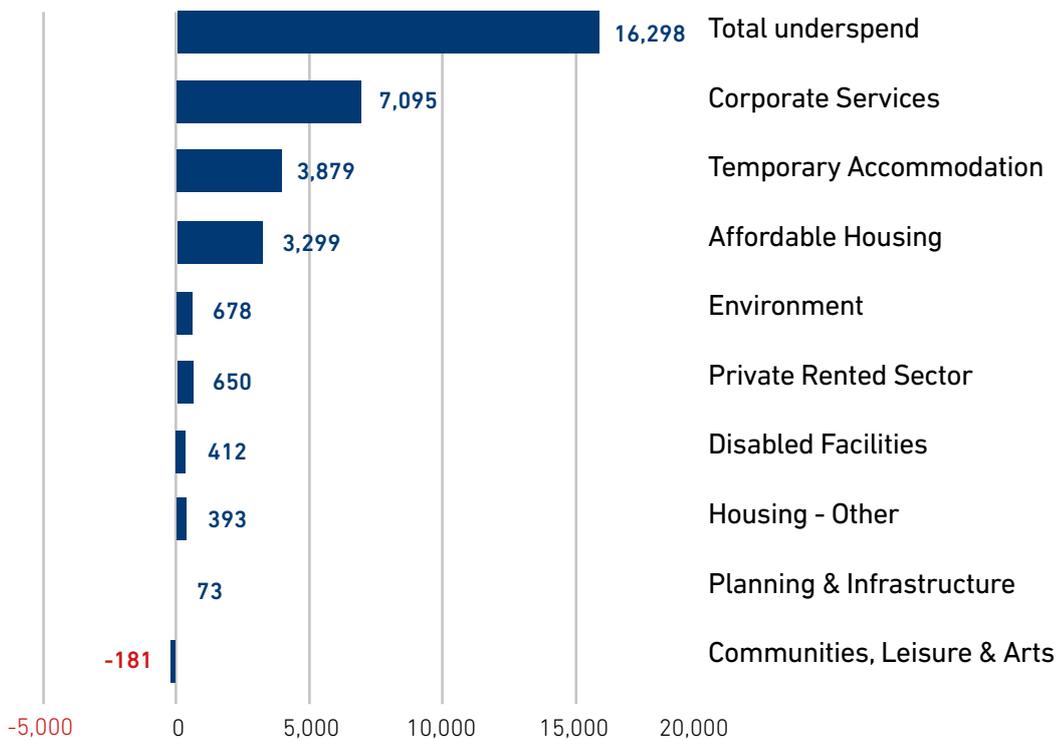
Internal borrowing arises when surplus funds generated from within the Council are used for capital investment. In line with the treasury management strategy, internal resources are used where possible in order to minimise the cost of borrowing.

The Council has a five year capital programme for the period 2023/24 to 2027/28 totalling £202 million, most of which will be funded by external borrowing. £80 million of this requirement is covered by a forward funding agreement made by the Council in April 2022.

Capital Out-Turn

Capital investment was £16.3 million less than budgeted, mainly owing to a lack of acquisition opportunities at suitable prices in both residential property (for the temporary accommodation purchase and repair programme) and commercial property. The underspends will be rolled forward and added to the budget for 2023/24.

Capital Out-Turn



Balance sheet

The Balance Sheet shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets increased from £63.0 million to £143.8 million, mainly because of a downward valuation of our pension fund liabilities by external actuaries.

2021/22 £000		2022/23 £000
129,260	Property, Plant & Equipment	138,599
43,383	Investment Properties	44,458
10,433	Heritage Assets	10,433
2,248	Other Long Term Assets	1,195
53,195	Money owed to the Council	25,338
-77,649	Money owed by the Council	-52,577
-97,855	Long Term Liabilities	-23,643
63,015	Net Assets	143,802
34,172	Usable Reserves	34,723
28,843	Unusable Reserves	109,079
63,015	Total Reserves	143,802

Property, Plant and Equipment are assets held by the Council to deliver services or for administrative purposes. The increase reflects capital expenditure during the year, after allowing for depreciation and revaluation increases / decreases.

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.

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. Unallocated reserves amount to £11m, which is well in excess of the minimum requirement set by the Council of £4 million.

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

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



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 the Executive. Members take an active interest in the risk management process and engage fully in discussion about individual risks.

The following table sets out what the Council has assessed as being the key corporate risks.

No	Corporate risk	Jun-22	Jun-23	
		Current Risk	Current Risk	Mitigated Risk
1	Financial Uncertainty	25	25	16
2	Election Failure/Challenge	New	20	16
3	Construction Costs / Contractor Insolvency	20	20	16
4	Housing pressures increasing	16	20	16
5	Environmental Damage	16	16	16
6	Cost of Living Crisis	New	16	12
7	Diminished Local Retail and Leisure Sector	25	16	12
8	Major Unforeseen Emergency	15	15	12
9	Major Contractor, Supplier or Tenant Failure	12	12	12
10	IT Network Failure	12	12	9
11	Not Fullfilling Residential Property Responsibilities	12	12	9
12	Ability to Access / Leverage New Funding	9	12	9
13	Loss of Workforce Cohesion and Talent	12	9	9
14	Reduced Effectiveness of Relationships with Strategic Partners	9	9	9
15	Governance Changes	12	9	6

Future Plans

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

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

Whilst the Council is largely self-sufficient financially, drawing most of its income from Council Tax and a range of other locally generated sources of income, it operates within the local authority funding framework set by central government. The most significant element of this is the restriction set by central government on the amount by which Council Tax can be increased. Whilst this was increased from 2% to 3% for the financial year 2023/24, this increase was announced late in the annual budgeting cycle. The continued uncertainty about the funding framework, with much of the key financial information only relating to the next twelve months, and announcements made late in the year, makes financial planning very difficult.

The Council has an ambitious capital programme, of which the centrepiece is the 1,000 Affordable Homes programme. Funding risk associated with this has been mitigated by locking in £80 million of future borrowing at a competitive rate. However, there are significant risks around me. Capital investment is subject to a high degree of risk, arising from inflation in input prices and the inherent risk associated with construction projects. The specific commitment to delivering Affordable Homes depends on the Council's willingness to set aside funds to provide the necessary level of subsidy.

The Council faces the challenges of delivering day-to-day services and the capital programme with the benefit of a strong financial position, with an adequate but not excessive level of reserves, and low levels of borrowing. Furthermore, it has a good track record of managing within its budgets. It can therefore face the future with as much confidence as any its peers.







STATEMENT OF ACCOUNTS 2022/23
(Draft – subject to external audit)

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

The Director of Finance, Resources & Business Improvement's Responsibilities

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

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

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

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

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2023.

Signed:

Mark Green, Director of Finance, Resources & Business Improvement

Date:

PRIMARY STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT - For the years ending 31st March 2022 & 2023

2021/22 (Restated)				2022/23		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Committee (See note)	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
46,539	(42,572)	3,968	Corporate Services	46,157	(39,655)	6,502
29,327	(14,373)	14,953	Communities, Housing & Environment	25,944	(12,035)	13,909
15,432	(6,331)	9,101	Economic Regeneration & Leisure	7,351	(5,092)	2,260
8,410	(7,090)	1,320	Planning & Infrastructure	8,396	(6,305)	2,091
99,709	(70,367)	29,342	Cost Of Services	87,848	(63,087)	24,761
		1,428	Other Operating Expenditure (Note 9)	2,570	(1,226)	1,344
		(3,123)	Financing and Investment Income and Expenditure (Note 10)	1,395	(2,178)	(783)
		(30,105)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)	20,631	(51,219)	(30,589)
		(2,458)	(Surplus) or Deficit on Provision of Services			(5,266)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(5,368)	(Surplus) or deficit on revaluation of property, plant & equipment assets			
		(9,860)	Remeasurement of the Net Defined Benefit Liability			(75,519)
		(15,229)	Other Comprehensive Income and Expenditure			(75,517)
		(17,687)	Total Comprehensive Income and Expenditure			(80,781)

Note: The Council's Committee structure changed with effect from May 2022. The previous Service Committees were replaced by Policy Advisory Committees. The 2021/22 figures have been restated to reflect this change.

MOVEMENT IN RESERVES STATEMENT

For the years ending 31st March 2022 & 2023

Current Year	General Fund Balance Unallocated £000	Earmarked GF Balances £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2022	12,516	21,375	33,892	288	0	34,172	28,843	63,015
Movement in Reserves during 2022/23								
Total Comprehensive Income & Expenditure	5,266	0	5,266	0	0	5,266	75,519	80,785
Adjustments between accounting basis & funding basis under regulation (Note 6)	(2,768)	0	(2,768)	(14)	95	(2,687)	2,688	(0)
Movements between Reserves	(2,031)	0	(2,031)	0		(2,031)	2,031	0
Increase or Decrease in 2022/23	467	0	467	(14)	95	548	80,238	80,785
Balance at 31st March 2023	12,983	21,376	34,360	274	95	34,722	109,079	143,801

Comparative Year	General Fund Balance £000	Earmarked GF Balances £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
Balance at 1st April 2021	10,274	22,977	33,251	459		33,710	11,622	45,332
Movement in Reserves during 2021/22								
Total Comprehensive Income & Expenditure	2,457		2,457	0		2,457	15,228	17,685
Adjustments between accounting basis & funding basis under regulation (Note 6)	(1,816)		(1,816)	(171)		(1,987)	1,985	(2)
Movements between Reserves	1,602	(1,602)					10	10
Increase or Decrease in 2021/22	2,243	(1,602)	641	(171)		463	17,223	17,683
Balance at 31st March 2022	12,516	21,375	33,892	288		34,172	28,843	63,015

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 SHEETAs at 31st March 2022 & 2023

31st March 2022 £000		Notes	31st March 2023 £000
129,260	Property, Plant & Equipment	17	138,599
43,383	Investment Property	18	44,458
10,433	Heritage Assets	19	10,433
1,139	Intangible Assets		1,159
1,109	Long Term Debtors	23	37
185,324	Long Term Assets		194,687
5,000	Short Term Investments	20	0
145	Inventories	22	67
14,297	Short Term Debtors	23	16,673
33,753	Cash & Cash Equivalents	24	8,598
53,195	Current Assets		25,338
101	Bank Overdraft	24	0
4,000	Short Term Borrowing	20	5,000
67,479	Short Term Creditors	25	40,870
1,565	Provisions	26	2,258
567	Deferred Liability	28	597
3,937	Capital Grants Receipts in Advance	16	3,854
77,649	Current Liabilities		52,577
1,801	Provisions	26	1,556
5,000	Long Term Borrowing		4,820
914	Deferred Liability	28	319
4,775	Capital Grants Receipts in Advance	17	4,555
85,362	Net Pension Liability	32	12,393
97,854	Long Term Liabilities		23,643
63,015	Net Assets		143,802
34,172	Usable Reserves	7	34,723
28,843	Unusable Reserves	30	109,079
63,015	Total Reserves		143,802

CASHFLOW STATEMENT

2021/22 £000		Notes	2022/23 £000
(2,457)	Net (surplus) or deficit on the provision of services		(5,266)
(30,106)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	3,207
8,274	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	36	922
(24,290)	Net cash flows from Operating activities		(1,138)
17,377	Investing Activities	37	(13,626)
(15,957)	Financing Activities	38	(21,511)
(22,869)	Net increase or decrease in cash & cash equivalents		(36,275)
(10,783)	Cash & cash equivalents at the beginning of the reporting period		33,652
(33,652)	Cash & cash equivalents at the end of the reporting period		(2,623)

NOTES TO THE ACCOUNTS

1 – EXPENDITURE & FUNDING ANALYSIS - For the years ending 31st March 2022 & 2023

2021/22 (Restated)				2022/23		
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	Committee (See note)	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
7,505	(3,537)	3,968	Corporate Services	9,245	(2,743)	6,502
10,184	4,769	14,953	Communities, Housing & Environment	12,114	1,794	13,909
29	9,072	9,101	Economic, Regeneration & Leisure	153	2,106	2,260
174	1,146	1,320	Planning & Infrastructure	579	1,512	2,091
17,892	11,450	29,342	Net Cost Of Services	22,091	2,670	24,761
(22,167)	(9,634)	(31,801)	Other Income & Expenditure	(30,126)	98	(30,028)
(4,275)	1,816	(2,458)	(Surplus) or Deficit	(8,035)	2,768	(5,266)
		33,230	Opening General Fund Balance			33,871
		1,816	Adjustments between Accounting & Funding Basis			4,799
		33,873	Closing General Fund Balance at 31st March			34,335

Note: The Council's Committee structure changed with effect from May 2022. The previous Service Committees were replaced by Policy Advisory Committees. The 2021/22 figures have been restated to reflect this change.

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 2022/23				
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
Corporate Services	1,517	1,248	(5,508)	(2,743)
Communities, Housing & Environment	410		1,384	1,794
Economic, Regeneration & Leisure	1,102		1,004	2,106
Planning & Infrastructure	117		1,395	1,512
Net Cost of Services	3,146	1,248	(1,725)	2,669
Other income and expenditure from the Expenditure & Funding Analysis	(3,146)	(1,248)	4,493	98
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	2,768	2,768

Adjustments between Funding & Accounting Basis 2021/22 (Restated)				
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
Corporate Services	761	1,757	(6,055)	(3,537)
Communities, Housing & Environment	3,328		1,441	4,769
Economic, Regeneration & Leisure	7,957		1,115	9,072
Planning & Infrastructure	(348)		1,494	1,146
Net Cost of Services	11,698	1,757	(2,005)	11,449
Other income and expenditure from the Expenditure & Funding Analysis	(11,697)	(1,757)	3,820	(9,634)
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	1,816	1,815

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

	2021/22 £000	2022/23 £000
Expenditure		
Employee Benefit Expenses	25,893	24,370
Other Services Expenses	94,749	81,141
Depreciation, Amortisation, Impairment	4,903	4,582
Interest Payments	126	147
Precepts & Levies	2,240	2,441
Total Expenditure	127,911	112,682
Income		
Fees, Charges & Other Service Income	(29,300)	(29,948)
Interest & Investment Income	(72)	(601)
Income from Council Tax & NDR	(45,459)	(45,685)
Government Grants & Contributions	(47,751)	(40,415)
Gain/(Loss) on the Disposal of Assets & Revaluations	(7,786)	(1,299)
Total Income	(130,369)	(117,948)
(Surplus) or Deficit on the Provision of Services	(2,459)	(5,265)

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	2021/22 £000	2022/23 £000
Accommodation	(1,084)	(378)
Central Services	(737)	(547)
Cultural & Related Services	(916)	(774)
Environment & Regulatory Services	(4,071)	(2,778)
Housing Services	(1,659)	(2,473)
Other Services	(1,216)	(1,123)
Other Support Services	(2,424)	(2,508)
Parking Services	(3,880)	(3,722)
Planning & Economic Development	(5,285)	(8,906)
Property Services	(2,573)	(2,944)
Fees, Charges & Other Service Income	(23,844)	(26,152)

2 - ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23, supported by International Financial Reporting Standards (IFRS).

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

- Going concern
- Primacy of legislative requirements

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

Revenue Recognition

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

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

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

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals are recognised where the value exceeds £5,000 in the revenue accounts, and £10,000 in the capital accounts.

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

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

The council tax and business rate income included in the Comprehensive Income & Expenditure Statement is the accrued income for the year, which consists of:

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

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

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

Overheads & Support Services

The costs of support services and overheads are charged to those that benefit from the supply or service in accordance with the absorption costing principle. The full cost of overheads and support services is shared between users in proportion to the benefits received.

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

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

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

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

Value Added Tax

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

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

ROUNDING

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

3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- A comprehensive review of all property leases was undertaken at the end of 2017/18 to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on Balance Sheet). Since 2017/18 we have entered into and paid in full a lease premium in respect of a 199-year finance lease for Maidstone House. This has been reflected in the financial accounts.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4. Although the contract is a shared service arrangement vehicles have not been assigned exclusively for use in Maidstone by the contractor. These vehicles do not therefore need to be recognised as assets.
- 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.

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 2023 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 £9.9m. This would not impact on the general fund balance.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

135

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 £4.1m. 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 £0.1m 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 0.5% increase in the discount rate will reduce the net pension liability by £11.0m; • A 0.5% increase in the assumed level of pension increases and deferred revaluation will increase the net pension liability by £11.6m;

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.	<ul style="list-style-type: none"> • An increase of one year in longevity will increase the net pension liability by £6.1m.
Arrears	At 31st March 2023 the Council had a balance of sundry debtors for £15m. A review of significant balances suggested that an impairment allowance for bad debts of £4.8m was appropriate. The calculation of this estimate is specific to the different classes of debtor but is generally based on the age of the debt and likelihood of recoverability. Uncertainty remains as to whether or not such an allowance will be sufficient to cover non-payment of these debts.	If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2.4m to be set aside as an allowance.
Non-Domestic Rates Appeals	<p>The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £7.2m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £2.9m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA.</p> <p>There is uncertainty regarding the value of potential losses against the 2017 valuation list.</p>	If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.728m would be required overall, and the council's share of the provision would increase by £0.289m.

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	<p>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>	
UK Economy	<p>The state of the UK economy is causing uncertainty in prices due to demand and inflationary pressures. This is impacting the potential future costs for items we directly purchase. It is also causing demand on statutory services we provide.</p>	<p>As part of the Medium-Term financial planning we have made an assessment of the impacts on Maidstone Borough Council and we continue to monitor the financial position to ensure we operate within budget. But any variance from our assumptions may requires further savings and changes to services we provide</p>

5 - ACCOUNTING STANDARDS THAT HAVE BEEN ISSUED BUT HAVE NOT YET BEEN ADOPTED

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted.

- IRFS 16 leases, this will be applicable to those authorities who have decided to voluntarily implement the standard, which the Council has decided not to implement at this stage.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

None of the above standards, when adopted, are expected to have a material impact on the Council's financial statements.

6 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2022/23	Usable Reserves		
	General Fund balance £000	Capital Grants Unapplied £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)	2,550		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(4,240)		
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)	6,042	(95)	
Total Adjustments to Revenue Resources	4,348		0
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,221)		1,268
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,746)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(1,338)		
Total Adjustments between Revenue and Capital Resources	(4,305)		1,268
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure			(1,282)
Application of capital grants to finance capital expenditure	(2,810)		
Total Adjustments to Capital Resources	(2,810)		(1,282)
Total Adjustments	(2,768)	(95)	(14)

2021/22 Comparative Figures	Usable Reserves		
	General Fund balance £000	Capital Grants Unapplied £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)	5,439		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(7,396)		
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)	15,776		
Total Adjustments to Revenue Resources	13,813		0
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,312)		4,329
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,403)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,963)		
Total Adjustments between Revenue and Capital Resources	(11,678)		4,329
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure			(4,500)
Application of capital grants to finance capital expenditure	(3,945)		
Total Adjustments to Capital Resources	(3,945)		(4,500)
Total Adjustments	(1,809)	0	(171)

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 £34.815m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	Balance 1st April 2022	Estimated movement in 2022/23	Estimated Balance as at 31st March 2023
	£000	£000	£000
General Fund			
Unallocated Balance	11,362	24	11,386
Subtotal	11,362	24	11,386
Earmarked Reserves			
Spatial Planning	0	559	559
Housing Investment Fund	0	3,216	3,216
Neighbourhood Planning	97	-20	77
Planning Appeals	286	-56	229
Trading Accounts	0	0	0
Civil Parking Enforcement	400	-31	370
Future Capital Expenditure	2,426	29	2,455
Future Funding Pressures	969	1,300	2,269
Homelessness Prevention & Temporary Accommodation	1,279	-155	1,124
Business Rates Earmarked Balances	3,681	-153	3,529
Funding for Future Collection Fund Deficits	10,284	-10,284	0
Commercial Risk	500	0	500
Invest to Save	500	0	500
Recovery and Renewal Reserve	778	-202	575
Renewable Energy	119	70	188
Enterprise Zone	4	-4	0
Majors Works (MH) Sinking Fund	0	213	213
Resources carried forward from 2021/22 to 2022/23	1,184	-1,184	0
Resources carried forward from 2022/23 to 2023/24		200	200
Subtotal	22,508	-6,503	16,005
Total General Fund and Earmarked Reserves	33,870	-6,480	27,390

Description of Earmarked Reserves:

Spatial Planning – This reserve has been created to provide additional funding if required to support the spatial planning process.

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

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

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

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

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

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

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

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

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

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

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

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

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

Major Works Sinking Fund – This represents money set aside to fund major works scheduled for the Council's property assets.

Housing Investment Fund – This represents money set aside from revenue in order to subsidise the Affordable Housing programme.

Accounting Policy - Reserves

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

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

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

8 - MATERIAL ITEMS OF INCOME & EXPENSE

There are no material items of income and expenditure that are not detailed in the notes below. Materiality is defined as 2% of prior gross year expenditure for the Council, which is broadly consistent with the materiality calculation used as part of the annual external audit of the Statement of Accounts. The figure used for the purpose of this note is £2.2m for 2022/23.

9 - OTHER OPERATING EXPENDITURE

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

	2021/22 £000	2022/23 £000
Parish Council precepts	2,240	2,441
Levies	127	128
(Gains)/losses on the disposal of non-current assets	(939)	(1,226)
	1,429	1,344

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.

	2021/22 £000	2022/23 £000
Interest payable and similar charges	126	147
Net Interest on the Net Defined Benefit Liability	1,757	1,248
Interest receivable and similar income	(72)	(601)
Income & Expenditure in relation to Investment properties and changes in their fair value:		
Income	(6,065)	(1,577)
Expenditure	1,130	
	(3,123)	(783)

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	2021/22 £000	2022/23 £000
Council tax income	20,540	20,990
Income from Retained Business Rates	24,908	25,553
Tariff Payable	(19,339)	(19,339)
Levy Payable	0	(1,292)
Non-ringfenced Government Grants	3,995	4,676
Total	30,105	30,589
Credited to Services		
Housing Benefit Subsidy	33,423	31,538
Non-Domestic Rates - Cost of Collection	222	228
Council Tax Administration	160	494
Covid-19 Grants	5,645	188
Other Grants	4,326	3,631
Total	43,776	36,080

In 2021/22 and 2022/23 Income from Retained Business Rates has benefited from the Council's participation in the Kent Business Rates Pool, as explained in note 2 to the Collection Fund Statement.

Accounting Policy – Government Grants & Contributions

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

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

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

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

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

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2022/23 totalled £453,082 (£367,153 in 2021/22).

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:

2022/23	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 (Alison Broom)	142	10	152	25	177
Director of Finance, Resources & Business Improvement	108	1	109	19	128
Director of Regeneration & Place	108	1	108	19	127
Director of Mid-Kent Services	91	0	92	16	108
Director of Strategy, Governance & Oversight	84	5	89	15	104

2021/22	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 (Alison Broom)	152	3	155	26	181
Director of Finance & Business Improvement	106	1	107	19	126
Director of Regeneration & Place	106	1	107	19	125
Director of Mid-Kent Services	89	1	90	15	105

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). For 2021/22 and 2022/23 there were two different individuals that held this post.

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	2021/22 No. of Employees	2022/23 No. of Employees
£50,000 - £54,999	7	7
£55,000 - £59,999	5	1
£60,000 - £64,999	8	6
£65,000 - £69,999	1	1
£70,000 - £74,999	2	1
£75,000 - £79,999	1	1
£80,000 - £84,999	1	2
£85,000 - £89,999	2	1

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	
	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23	2021/22	2022/23
£0 - £20,000	0	0	0	3	0	3	£000	£18
£20,001 - £40,000	0	0	0	2	0	2	0	59
£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	0	0	0	5	0	5	0	77

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.

	2021/22 £000	2022/23 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	65	111
Fees payable for the certification of grant claims and returns during the year	25	31
Total	90	142

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:

	2021/22 £000	2022/23 £000
Balance at start of year:	7,817	9,005
Grants Received	6,076	2,915
Transfers	(946)	(95)
Funding used for capital expenditure	(3,945)	(3,412)
Balance at end of year:	9,005	8,412

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31st March 2024) £3.856m and long-term (expected to be used after 1st April 2025) £4.556m.

The majority of the balance (£4.881m) relates to Section 106 monies held by the Council for future use. There is also a further £2.324m held for disabled facilities grants which is an ongoing area of work for the Council.

Unapplied – This is for grants and contributions received where conditions have been met but expenditure has yet to be incurred.

	2021/22 £000	2022/23 £000
Balance at start of year:	0	0
Grants Received	0	0
Transfers	0	95
Funding used for capital expenditure	0	0
Balance at end of year:	0	95

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 2022/23 is shown in Note 12.

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

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

- Director of Regeneration and Place
- Director of Mid-Kent Services
- Head of Housing and Community Services
- Principal Lawyer - Commercial

The Balance Sheet as at 31st March 2023, reflects £653,421 (2021/22, £545,410) which is payable from Maidstone Property Holdings Limited to Maidstone Borough Council, relating to income and expenditure for the 2022/23 financial year.

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

	Infrastructu re Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
Movements in 2022/23	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations								
At 1st April 2022	6,455	113,647	17,731	2,283	4,609	4,281	3,122	152,129
Additions	341	5,563	753	816	72	272	7,943	15,760
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	0	0	0	0	0	0	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition of assets	22	46	(937)	(340)	(55)	0	0	(1,264)
Other movements in cost or valuation	0	662	0	0	0	0	(2,651)	(1,988)
At 31st March 2023	6,818	119,918	17,547	2,759	4,626	4,553	8,414	164,637
Accumulated Depreciation & Impairment								
At 1st April 2022	(4,142)	(4,124)	(9,108)	(1,384)	(4,110)	0	0	(22,869)
Depreciation charge	(230)	(2,290)	(1,069)	(452)	(411)	0	0	(4,452)
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	0	0
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	932	298	55	0	0	1,285
At 31st March 2023	(4,372)	(6,414)	(9,246)	(1,538)	(4,466)	0	0	(26,036)
Net Book Value								
At 31st March 2023	2,446	113,504	8,301	1,221	160	4,553	8,414	138,599
At 31st March 2022	2,314	109,523	8,622	898	499	4,281	3,122	129,260

153

Movements in 2021/22	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 2021	6,222	91,098	17,078	1,979	4,462	3,999	10,695	135,535
Additions	233	16,198	653	369	147	282	3,782	21,664
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	4,073	0	0	0	0	0	4,073
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(9,501)	0	0	0	0	0	(9,501)
Derecognition of assets	0	(17)	0	(66)	0	0	0	(83)
Other movements in cost or valuation	0	11,797	0	0	0	0	(11,355)	442
At 31st March 2022	6,455	113,648	17,731	2,282	4,609	4,281	3,122	152,130
Accumulated Depreciation & Impairment								
At 1st April 2021	(3,930)	(5,282)	(8,095)	(1,054)	(3,694)	0	0	(22,055)
Depreciation charge	(212)	(2,753)	(1,013)	(379)	(416)	0	0	(4,773)
Depreciation written out to the Revaluation Reserve	0	3,911	0	0	0	0	0	3,911
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	0	49	0	0	0	49
At 31st March 2022	(4,142)	(4,124)	(9,108)	(1,384)	(4,110)	0	0	(22,868)
Net Book Value								
At 31st March 2022	2,314	109,523	8,622	898	499	4,281	3,122	129,260
At 31st March 2021	2,293	85,816	8,982	925	768	3,999	10,695	113,478

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 2022/23	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Entertainment Complex	Halls & Pavilions	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Offices	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	£000
Cost or Valuations																	
At 1st April 2022	14,278	2,483	1,992	22,323	4,348	15,387	906	7,359	1,720	11,715	0	2,133	1,501	13,528	5,132	1,280	106,085
Additions																	0
Revaluation increases/(decreases) recognised in the Revaluation Reserve																	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	0
Derecognition of Assets																	0
Other movements in cost or valuation																	0
At 31st March 2023	14,278	2,483	1,992	22,323	4,348	15,387	906	7,359	1,720	11,715	0	2,133	1,501	13,528	5,132	1,280	106,085
Accumulated Depreciation & Impairment																	
At 1st April 2022	12	(99)	32	0	(2)	(3,644)	(39)	(2)	(70)	1	0	(149)	(102)	(55)	1	(1)	(4,115)
Depreciation charge																	0
Depreciation written out to the Revaluation Reserve																	0
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	0
Other movements in cost or valuation																	0
At 31st March 2023	12	(99)	32	0	(2)	(3,644)	(39)	(2)	(70)	1	0	(149)	(102)	(55)	1	(1)	(4,115)
Net Book Value																	
At 31st March 2023	14,290	2,384	2,024	22,323	4,346	11,743	867	7,357	1,650	11,716	0	1,984	1,400	13,474	5,133	1,279	101,971
At 31st March 2022	14,290	2,384	2,024	22,323	4,346	11,735	867	7,357	1,650	11,716	7,584	1,984	1,400	13,474	5,133	1,279	109,550

Analysis of Land & Buildings Movements 2021/22	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Entertainment Complex	Halls & Pavilions	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Offices	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	£000
Cost or Valuations																	
At 1st April 2021	12,495	2,184	1,960	21,353	3,764	13,961	347	7,891	1,720	11,300	0	1,693	1,501	4,824	4,952	1,154	91,098
Additions	22	299	31	1,228	51	237	529	0		3	7,540			6,139	7	134	16,222
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,940				533	427	30			412	119	440			172		4,073
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(162)			(258)		(12)		(532)			(75)			-8452778		(8)	(9,501)
Derecognition of Assets	(17)																(17)
Other movements in cost or valuation						778								11,019			11,797
At 31st March 2022	14,278	2,483	1,992	22,323	4,348	15,391	906	7,359	1,720	11,715	7,584	2,133	1,501	13,528	5,132	1,280	113,672
Accumulated Depreciation & Impairment																	
At 1st April 2021	12	(61)	(21)	0	(1,149)	(2,575)	(39)	(2)	(42)	1	0	(149)	(0)	(1,112)	(119)	(25)	(5,282)
Depreciation charge		(38)	(36)	(450)	(361)	(1,076)		(149)	(27)	(236)	(43)		(101)	(125)	(90)	(18)	(2,751)
Depreciation written out to the Revaluation Reserve				89	450	1,508		149		236	43			1,183	210	42	3,911
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	0
Other movements in cost or valuation																	0
At 31st March 2022	12	(99)	32	0	(2)	(3,651)	(39)	(2)	(70)	1		(149)	(102)	(55)	1	(1)	(4,123)
Net Book Value																	
At 31st March 2022	14,290	2,384	2,024	22,323	4,346	11,740	867	7,357	1,650	11,716	7,584	1,984	1,400	13,474	5,133	1,279	109,550
At 31st March 2021	12,507	2,123	1,940	21,353	2,615	11,383	308	7,889	1,678	11,301	0	1,544	1,501	3,712	4,833	1,129	85,817

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 2023 the Council had the following capital commitments:

2021/22	2022/23
£000 Project	£000
731 Springfield Mill Block 6	0
1,497 Gypsy Site Refurbishment Works	0
1,309 Mote Park Café/Visitor Centre	41
0 Temporary Accommodation	355
0 Granada House Refurbishment	1,450
0 Maidstone House Lift Refurbishment	209
3,537	2,055

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 2022 in accordance with the requirements of the Code of Practice and are considered to be materially accurate at the Balance Sheet date.

The table also shows the historic cost values of the various asset classes, which were established at 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								0
Valued at current value as at:								
31st March 2019								0
31st March 2020								0
31st March 2021								0
31st March 2022								0
31st March 2023								0
Total Cost or Valuation	0	0	0	0	0	0	0	0

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:

	2021/22 £000	2022/23 £000
Rental income from investment property	(2,380)	(2,581)
Direct operating expenses arising from investment property	443	404
Net (gain)/loss	(1,937)	(2,177)

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

	Investment Properties £000	Assets Under Construction £000	2021/22 £000	Investment Properties £000	Assets Under Construction £000	2022/23 £000
Balance at start of the year	25,697	12,192	37,889	40,802	2,581	43,383
Additions	202	2,337	2,539	288	788	1,076
Transfers	11,506	(11,948)	(442)	3,369	(3,369)	0
Net gains/losses from fair value adjustments	3,396		3,396			0
Balance at end of year	40,802	2,581	43,383	44,458	0	44,458

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 2022	9,090	480	515	348	10,433
Additions					0
Disposals					0
31st March 2023	9,090	480	515	348	10,433
1st April 2021	9,090	480	515	348	10,433
Additions					0
Disposals					0
31st March 2022	9,090	480	515	348	10,433

Museum Exhibits

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

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

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

War Memorials

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

Statues and Sculptures

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

Other Items

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

Listed Buildings and Other Heritage Assets

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

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

Accounting Policy – Heritage Assets

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

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 2022 £000	31st March 2023 £000	31st March 2022 £000	31st March 2023 £000
Treasury Investments				
Financial assets at amortised cost	0	0	38,750	8,540
Debtors				
Financial assets at amortised cost	25	25	10,259	10,336
Loans				
Financial liabilities at amortised cost	5,000	5,000	4,000	5,000
Creditors				
Financial liabilities at amortised cost	0	0	22,603	6
Other Long Term Liabilities				
Finance Lease Liabilities at amortised cost	905		567	

On the face of the Balance Sheet, Financial Assets are held at Amortised Cost where the business model for the Council is to collect contractual cash flows.

All investments are held in short dated money market funds. The Council has no long-term treasury funds invested at the year end. Debtors includes a service loans to third parties, Kent Savers £25k Long Term. The Council has no other

long-term debtors, and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council's treasury management loan balance of £10m is made up of £5m short dated loans and £5m long term loans. Long term loans are 50 year maturity loans with the Public Works Loans Board (PWLB).

Other Long-Term Liabilities relates to the services concession arrangement between the Council and Serco, the managing contractor of Maidstone Leisure Centre. Details of this arrangement are discussed within 28 – Private Finance Initiatives & Similar Contracts.

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

Income & Expense

	Long-term		Short-Term	
	31st March 2022 £000	31st March 2023 £000	31st March 2022 £000	31st March 2023 £000
Income:				
Financial assets at amortised cost	0	0	72	594
Other Interest	0		0	
Total	0	0	72	594
Expenditure:				
Financial liabilities at amortised cost	0	81	30	3
Total	0	81	30	3

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 2022		Fair Value Level	31st March 2023	
	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)	38,791	38,783	2	8,540	8,540
Financial Liabilities					
Long Term Loans	5,025	3,920	2	5,025	2,243
Short Term Loans (less than 1 yr)	4,002	3,992	2	5,017	5,017

The fair value of the Long Term PWLB loans of £2.243m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The fair value amount is lower than the balance sheet current value is due to the PWLB loans being at a lower rate to what would be paid if the loan was at the current PWLB new loan rate.

Fair value of short term assets and liabilities are not materially different to their carrying values so are shown as being the same.

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 2022/23

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

- to utilise cash balances rather than loan debt to finance the capital programme in the short term, due to low investment returns and high counterparty risk in the current economic climate;
- to further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments are considered. Greater use of Local Authority investments will be sought due to the high security of the borrower which enables investment over a longer period where funds are not required immediately.
- Increase previous counterparty limits due to the increased grant funding from Central Government in relation to COVID19 which were being held until grants were paid to individuals and businesses.

Credit Risk

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

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

As at 31st March 2023 investments were held with the following institutions:

	31st March 2022 £000	31st March 2023 £000
AAA rated Institutions	9,750	8,540
AA+ rated Institutions	0	0
AA rated Institutions	5,000	0
AA- rated Institutions	5,000	0
A+ rated Institutions	16,000	0
A rated Institutions	3,000	0
A- rated Institutions	0	0
BBB+ rated Institutions	0	0
Unrated Local Authorities	0	0
UK Government	0	0
Total	38,750	8,540

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 2022 £000	31st March 2023 £000
<u>Investments</u>		
Notice accounts/Money market funds	27,750	8,540
Fixed term deposits	11,000	0
	38,750	8,540
<u>Borrowings</u>		
Short term loans with local authorities	4,000	5,000
Long Term Borrowings with PWLB	5,000	5,000
	9,000	10,000

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 – INVENTORIES

	Property acquired or constructed for sale		Other inventory items		Total	
	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000	2021/22 £000	2022/23 £000
Balance outstanding at start of year	4,979	0	174	146	5,153	146
Purchases			290	279	290	279
Recognised as an expense in the year	(4,979)		(319)	(356)	(5,298)	(356)
					0	0
Balance outstanding at year-end	0	0	146	68	146	68

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

	2021/22 £000	2022/23 £000
Central government bodies	686	2,460
Other local authorities	4,759	7,086
Other entities and individuals	14,291	12,753
Total	19,736	22,299

Allowance for Bad Debts

	2021/22 £000	2022/23 £000
Excess Charges Impairment Allowance	676	1,016
Sundry Bad Debts Impairment Allowance	4,764	4,610
Total	5,441	5,626

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £16.673m.

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

	2021/22 £000	2022/23 £000
Council Tax payers	1,790	2,006
Business Rate payers	1,684	1,872
Capital debtors	178	71
General debtors	8,982	6,938
Payments in Advance	582	516
Other miscellaneous amounts	1,075	1,351
Total	14,291	12,753

24 - CASH & CASH EQUIVALENTS

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

	2021/22 £000	2022/23 £000
Cash held by the Council	3	3
Bank current accounts	(101)	55
Short-term deposits	33,750	8,540
Total	33,652	8,598

Accounting Policy – Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Currently, due to the requirement of funding for its liabilities, £33.75m of Council investments are classified as cash and cash equivalents.

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

25 – CREDITORS**Short Term**

	2021/22	2022/23
	£000	£000
Central government bodies	13,171	9,110
Other local authorities	4,878	7,919
Other entities and individuals	23,453	23,840
Total	41,502	40,870

Other entities and individuals are broken down as follows:

	2021/22	2022/23
	£000	£000
General creditors	4,200	5,442
Capital creditors	1,416	415
Council tax payers	0	341
Business Rate payers	0	638
Receipts in advance	7,293	8,242
Deposits	9,978	8,184
Retentions	566	578
Total	23,453	23,840

26 - PROVISIONS

	2021/22	2022/23
	£000	£000
Business Rates Appeals - Current	1,090	1,137
Business Rates Appeals - Backdated	1,801	2,258
Planning Appeals	261	261
Other Provisions	215	159
Total	3,366	3,815

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 2023 are summarised in the following table. The figures for 2021/22 are the audited figures, which differ from those in the 2021/22 Statement of Accounts, as the audit took place after that was published.

Gross expenditure in 2021/22 totalled £461,485 (£485,385 in 2021/22). Gross income in 2021/22 totalled £511,262 (£493,583 in 2021/22).

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

	2021/22	2022/23
	£000	£000
Fixed Assets:		
Tangible Assets	2,439	2,317
Investment Property	1,103	1,103
Investments	886	831
	4,428	4,251
Current Assets	491	473
Current Liabilities	202	80
Creditors: Amounts falling due after more than one year	135	66
Total assets less total liabilities	4,582	4,577
Total Charitable Funds	4,582	4,577

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

	2021/22 £000	2022/23 £000
Balance outstanding at start of year	2,020	1,482
Repayment of principal	(537)	(567)
Balance outstanding at end of year	1,482	915

These figures are shown on the face of the Balance Sheet as Deferred Liabilities and are split between the Short Term and Long Term elements. The deferred liability is recognised in Net Cost of Services and written out to the Capital Adjustment Account via the Movement in Reserves Statement.

Accounting Policy – Deferred Liability

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

29 – CAPITAL RECEIPTS RESERVE

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

	31st March 2022 £000	31st March 2023 £000
Balance at 1st April	459	288
Capital Receipts Received	4,329	1,268
Capital Receipts Applied	(4,500)	(1,282)
Balance at 31st March	288	273

30 - UNUSABLE RESERVES

	31st March 2022 £000	31st March 2023 £000
Revaluation Reserve	46,444	46,442
Capital Adjustment Account	73,573	76,586
Deferred Capital Receipts Reserve	7	7
Pensions Reserve	(85,362)	(12,393)
Collection Fund Adjustment Account	(5,640)	(1,404)
Accumulated Absences Account	(164)	(159)
Total Unusable Reserves	28,857	109,079

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 2022 £000	31st March 2023 £000
Balance at 1st April	40,882	46,442
Upward revaluation of assets	7,417	
Downward revaluation of assets	(2,049)	
Difference between fair value depreciation and historical cost depreciation	194	
Balance at 31st March	46,442	46,442

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 2022 £000	31st March 2023 £000
Balance at 1st April	73,733	73,562
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(4,770)	(4,452)
Amortisation of intangible assets	(132)	(130)
Revaluation Gains/Losses on Property, Plant & Equipment	(6,902)	(47)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	3,396	0
Revenue expenditure funded from capital under statute	(7,363)	(1,555)
Write-off of non-enhancing capital expenditure	(20)	
	(15,792)	(6,184)
Adjusting amounts written out of the Revaluation Reserve	(194)	
Net written out amount of the cost of non-current assets consumed in the year	(15,986)	(6,184)
Capital financing applied in the year:		
Minimum Revenue Provision	865	1,179
Sums set aside for Debt Repayment	537	567
Use of the Capital Receipts Reserve to finance new capital expenditure	4,500	1,282
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	3,945	2,810
Capital expenditure charged against the General Fund balance	5,968	1,338
	15,815	7,177
Balance at 31st March	73,562	74,555

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.

	2021/22 £000	2022/23 £000
Opening balance at 1 April	89,783	85,362
Remeasurements of the net defined liability	(9,860)	(75,519)
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	9,274	6,538
Employer's pensions contributions	(3,835)	(3,988)
Closing balance at 31 March	85,362	12,393

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 2022 £000	31st March 2023 £000
Balance at 1st April	13,036	5,640
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	(671)	118
- Non-domestic Rates	(6,726)	(4,354)
Balance at 31st March	5,640	1,404

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.

	2021/22 £000	2022/23 £000
Opening Capital Finance Requirement	52,730	63,967
Capital Investment		
Property, Plant & Equipment	21,634	13,995
Non-enhancing capital expenditure	20	140
Investment Properties	2,563	963
Intangible Assets	454	127
Revenue Expenditure Funded from Capital Under Statute	2,383	1,416
	27,055	16,639
Sources of Finance		
Capital receipts	(4,500)	(1,282)
Government grants & other contributions	(3,945)	(2,810)
New Homes Bonus	(3,856)	0
Other Revenue Contributions	(2,113)	(3,369)
	(14,414)	(7,461)
Increase in Capital Financing Requirement	12,640	9,178
Minimum Revenue Provision Set-aside	(1,403)	(1,746)
Closing Capital Finance Requirement	63,967	71,399

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. In this instance the funding will come from a combination of internal borrowing using existing cash balances and external funding, in accordance with the agreed Treasury Management Strategy for 2022/23.

Accounting Policy – Minimum Revenue Provision

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

Accounting Policy – Revenue Expenditure Funded from Capital Under Statute

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

32 - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

Transactions Relating to Post-employment Benefits

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

	2021/22 £000	2022/23 £000
Comprehensive Income & Expenditure Statement (CIES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	7,517	5,260
- Past service costs including curtailments	0	15
Financing and Investment Income & Expenditure:		
- Net interest expense	1,757	1,248
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	9,274	6,523
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)	50	(3,208)
- Actuarial gains and losses arising on changes in financial assumptions	10,342	86,064
- Actuarial gains and losses arising on changes in demographic assumptions	0	6,018
- Experience gains and losses on defined benefit obligation	(532)	(14,726)
- Other actuarial gains and losses	0	1,371
Total Post Employment Benefit Charged to the CIES	19,134	82,042
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	9,274	6,538
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,835)	(3,988)
	5,439	2,550

Curtailments

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

Settlements

There were no liabilities settled at a cost materially different to the accounting reserve as a result of members transferring to / from another employer over the year (2020/21 £nil).

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2021/22	2022/23
	£000	£000
Present value of funded obligation	218,989	148,586
Fair value of plan assets	(135,059)	(137,416)
Contributions by scheme participants	83,930	11,170
Present value of unfunded obligation	1,432	1,223
Net liability arising from defined benefit obligation	85,362	12,393

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

	2021/22 £000	2022/23 £000
Opening fair value of Scheme assets	133,210	135,059
Interest on assets	2,656	4,877
Return on assets less interest	129	(3,126)
Administration expenses	(79)	(82)
Contributions by employer including unfunded	3,835	3,973
Contributions paid by scheme participants	974	1,000
Estimated benefits paid plus unfunded net of transfers in	(5,666)	(5,656)
Other actuarial gains/(losses)	0	1,371
Closing fair value of Scheme assets	135,059	137,416

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

	2021/22 £000	2022/23 £000
Opening balance at 1 April	222,993	220,421
Current Service cost	7,517	5,260
Interest cost	4,413	6,125
Change in financial assumptions	(10,342)	(86,064)
Changes in demographic assumptions	0	(6,018)
Experience loss/(gain) on defined benefit obligation	532	14,726
Past service costs, including curtailments		15
Estimated benefits paid net of transfers in	(5,532)	(5,522)
Contributions by Scheme participants	974	1,000
Unfunded pension payments	(134)	(134)
Closing balance at 31 March	220,421	149,809

Local Government Pension Scheme Assets

	31st March 2022		31st March 2023	
	£000	%	£000	%
Equities	86,940	64%	87,687	64%
Gilts	824	1%	753	1%
Other Bonds	18,648	14%	18,048	13%
Property	15,864	12%	13,716	10%
Cash	2,791	2%	2,465	2%
Absolute return fund	9,992	7%	10,066	7%
Infrastructure	-	-	4,681	3%
Total	135,059	100%	137,416	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 2022.

The principal assumptions used by the actuary have been:

	2021/22	2022/23
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	21.6	21.1
- Women	23.7	23.5
Longevity at 65 for future pensioners		
- Men	23.0	22.3
- Women	25.1	25.0
Financial Assumptions		
RPI increases	N/A	N/A
CPI increases	3.20%	2.90%
Salary increases	4.20%	3.90%
Pension increases	3.20%	2.90%
Discount Rate	2.60%	4.80%

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	129,073	149,809	176,730
- Projected Service Cost	1,879	2,710	3,887
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	15,021	149,809	147,774
- Projected Service Cost	2,728	2,710	2,692
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	174,784	149,809	130,589
- Projected Service Cost	3,900	2,710	1,869
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
- Present Value of Total Obligation	155,909	149,809	143,981
- Projected Service Cost	2,805	2,710	2,617

Scheme History

	2018/19	2019/20	2020/21	2021/22	2022/23
	£000	£000	£000	£000	£000
Present value of defined benefit obligation in the Local Government Pension Scheme	(183,242)	(175,391)	(221,430)	(218,989)	(148,586)
Fair value of assets in the Local Government Pension Scheme	113,698	103,305	133,210	135,059	137,416
Present value of unfunded obligation	(1,937)	(1,591)	(1,563)	(1,432)	(1,223)
Surplus/(Deficit) in the scheme	(71,481)	(73,677)	(89,783)	(85,362)	(12,393)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £12.393m 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 2024 are £3.625m.

The significant reduction in the liability figure this year is due to a change in the discount rate assumption, which in turn reflects current interest rates.

Accounting Policy – Employee Benefits

Benefits Payable During Employment

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

Post-Employment Benefits

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

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

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

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

Contributions to the pension scheme are determined by the Fund’s actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2022.

Discretionary Benefits

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

33 – LEASES

Finance Leases – Council as Lessee

The Council currently has one arrangement which it classifies as a finance lease, the operation of the leisure centre.

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

	31st March 2022 £000	31st March 2023 £000
Not more than 1 year	590	597
Later than 1 year and not later than 5 years	905	309
Later than 5 years	0	0
	1,496	905

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 **(date to be confirmed)**. 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 2023 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

	2021/22 £000	2022/23 £000
Depreciation	(4,770)	(4,452)
Revaluation Gains & Losses	(6,902)	(47)
Amortisation of Intangible Assets	(132)	(130)
Movement in Creditors	(8,309)	4,612
Movement in Debtors	(2,739)	(115)
Movement in Inventories	(5,008)	(78)
Movement in Pension Liabilities	(5,439)	(2,550)
Derecognition of non-current assets		
Other Non-Cash items	3,194	(448)
	(30,105)	(3,207)

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

	2021/22 £000	2022/23 £000
Capital Grants credited to surplus or deficit on the provision of services	5,791	3,945
Proceeds from sale of Property, Plant & Equipment	1,962	4,329
	7,753	8,274

37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2021/22 £000	2022/23 £000
Purchase of property, plant & equipment, investment property and intangible assets	24,680	17,916
Purchase of short-term and long-term investments	3,000	0
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(4,329)	(1,268)
Proceeds from short-term and long-term investments	0	0
Other payments for investing activities	808	0
Other receipts for investing activities (Grants)	(6,782)	(3,022)
Net cash flows from investing activities	17,377	13,626

38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2021/22 £000	2022/23 £000
Cash receipts of short- and long-term borrowing	0	(820)
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	567	0
Repayments of short & long-term borrowing	2,000	0
Other payments for financing activities	(18,524)	22,331
Net cash flows from financing activities	(15,957)	21,511

COLLECTION FUND STATEMENT & NOTES

2021/22		2022/23	
£000		£000	£000
INCOME			
133,042	Income From Council Tax	139,905	
43,493	Income From Business Rates (Note 2)	54,634	
176,535	Total Income		194,539
EXPENDITURE			
89,647	Precepts and Demands - Council Tax Kent County Council	97,786	
13,786	Kent Police & Crime Commissioner	15,267	
19,342	Maidstone Borough Council	20,967	
5,106	Kent Fire & Rescue Authority	5,510	
12,318	Shares of Business Rates Central Government	20,864	
2,217	Kent County Council	3,755	
9,855	Maidstone Borough Council	16,691	
246	Kent Fire & Rescue Authority	417	
789	Transitional Protection Payments - Business Rates	246	
182	Disregarded Amounts - Business Rates	178	
394	Impairment of Debts - Council Tax Write offs of uncollectable amounts	426	
352	Additional / (Reduced) Impairment of Aged Debt	735	
152	Impairment of Debts/Appeals - Business Rates Write offs of uncollectable amounts	4	
11	Additional / (Reduced) Impairment of Aged Debt	(57)	
(1,968)	Losses on appeal	(1,625)	
2,837	Additional / (Reduced) Provision For Appeals	2,884	
207	Cost of Collection Allowance - Business Rates	205	
155,473	Total Expenditure		184,254
21,062	Surplus/(Deficit) For Year		10,285
(32,901)	Surplus/(Deficit) Brought Forward From Previous Years		(11,839)
4,142	Surplus/(Deficit) on Council Tax		3,355
(15,981)	Surplus/(Deficit) on Business Rates		(4,910)
(11,839)	Surplus/(Deficit) as at 31st March 2023		(1,554)

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.

NNDR collection 2022-23 was slightly inflated by the redistribution of remaining CARF funds at the annual billing stage of 2022-23...and the carrying over of credits on accounts already paid in full for 2021-22 into the new financial year.

Courts resumed properly in 2022-23, but 'low income' CTS cases have continued to be excluded from liability order hearings. Their reintroduction will be staggered over the second half of 2023-24, there are still fewer courts than there were prior to the Covid Pandemic, however we are now able to have a full recovery timetable in place.

The impact of the 'Cost of Living' crisis continues to impact Council Tax collection and, in either case, both Council Tax and Business Rates collection rate targets have been carried across from the previous financial year targets.

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: 65896.2 for 2022/23 (64,089.4 for 2021/22) (see table below.) This basic amount of Council Tax for a Band D property, £2048.04 for 2022/23 (£1,988.63 for 2021/22), 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	5/9	1.4
Band A	2,635	6/9	1,770.8
Band B	6,466	7/9	5,070.8
Band C	15,940	8/9	14,285.4
Band D	16,948	9/9	17,087.8
Band E	9,523	11/9	11,734.7
Band F	5,667	13/9	8,253.5
Band G	4,162	15/9	6,993.5
Band H	350	18/9	706.0
Other	0		196.0
			66,099.9

Note 2 - Business (Non-domestic) Rates

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

- Standard Multiplier 51.2p / £ Rateable Value (51.2p in 2021/22)
- Small Business Multiplier 49.9p / £ Rateable Value (49.9p in 2021/22)

The rateable value at 31st March 2023 was £149.209m (£149.889m at 31st March 2022).

For 2022/23, it was calculated that the Council would receive £16.691m in business rates (£9.855m in 2021/22).

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 2022/23, (£19.339m in 2021/22) 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.

INDEPENDENT AUDITOR'S REPORT

To follow

Audit, Governance & Standards Committee

24 July 2023

Treasury Management Annual Review 2022/23

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

Executive Summary

The Chartered Institute of Public Finance and Accountancy’s Treasury Management Code requires that authorities report on the performance of the treasury management function at least twice a year (at mid-year and year-end).

Council has delegated the role of considering these reports to the Audit, Governance and Standards Committee. This report sets out the activities of the Treasury Management function for 2022/23 financial year.

Purpose of Report

This report requires noting from the Committee.

This report makes the following recommendations to this Committee:

1. That the review of the financial year 2022/23 in accordance with CIPFA’s Code of Practice on Treasury Management along with the prudential and treasury indicators is noted.
2. That no amendments to the current treasury management procedures are necessary as a result of the review of activities in 2022/23.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	24 July 2023

Treasury Management Annual Review 2022/23

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	Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2022/23 report. This report is purely for information purposes and has no risk management implications.	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>	Interim Team Leader (Contentious and Corporate Governance)
Privacy and Data Protection	None.	Policy and Information Team
Equalities	The report is for noting and contains no recommendations that would propose a change in service, therefore no equalities impact assessment will be required.	Equalities & Communities Officer

Public Health	None.	Public Health Officer
Crime and Disorder	None.	Head of Finance
Procurement	None.	Head of Finance & Section 151 Officer
Biodiversity and Climate Change	There are no implications on biodiversity and climate change.	Biodiversity and Climate Change Officer

2. INTRODUCTION AND BACKGROUND

2.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2022/23. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2.1.1 The Treasury Management Strategy Statement (TMSS) for 2022/23 states the reporting requirements for the following reports:

- an annual treasury strategy in advance of the year (Full Council 23rd February 2022)
- a mid-year treasury update report (Audit, Governance & Standards Committee 16th January 2023)
- an annual review following the end of the year describing the activity compared to the strategy (Audit Governance & Standards Committee - this report).

In addition, the Council has received quarterly treasury management update reports on the following dates 14/09/2022, 16/11/2022, 06/02/2023 and 14/06/2023, which were received by the Corporate Services Policy Advisory Committee.

2.1.2 This report sets out the activities of the treasury management function for the 2022/23 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities. It also sets this in the context of the economic environment over the past 12 months.

2.1.3 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 are therefore central to the Authority's treasury management strategy.

2.1.4 The Authority's Treasury Management Strategy Statement for 2022/23 was approved by full Council on 23rd February 2022. The key elements of the Strategy are:

- Increase counterparty investment limits with highly rated institutions due to additional funding of COVID-19 grants received from Central Government in 2022/23;
- To utilise cash balances, as far as possible, rather than loan debt to finance the capital programme in the short term, due to the low investment returns and high counterparty risk in the current economic climate; and
- Further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments is considered. Greater use of local authority investments will be used where the borrowers offer a high level of security.

2.2 Economic Overview

2.2.1 Interest rate forecasts were initially suggesting only gradual rises in short, medium and longer-term fixed borrowing rates during 2022/23 but by August it had become clear that inflation was moving up towards 40-year highs, and the Bank of England engaged in monetary policy tightening at every Monetary Policy Committee meeting during 2022, and into 2023, either by increasing Bank Rate by 0.25% or 0.5% each time. Currently the Consumer Price Index (CPI) measure of inflation is still above 10% in the UK but is expected to fall back towards 4% by year end. Nonetheless, there remain significant risks to that central forecast.

2.2.2 The UK economy has now opened up and nearly back to business-as-usual, the Gross Domestic Product (GDP) numbers have been robust (9% year on year Q1 2022) and sufficient for the MPC to focus on tackling the second-round effects of inflation, now that the CPI measure has already risen to 6.2% in March 2022. CPI was 9.1% in May 2022 and is looking to increase further during 2022.

2.2.3 Public Works Loans Board (PWLB) rates are based on gilt (UK Government bonds) yields through HM Treasury determining a specified margin to add to gilt yields. The main influences on gilt yields are Bank Rate, inflation expectations and movements in US treasury yields. Inflation targeting by the major central banks has been successful over the last 30 years in lowering inflation and the real equilibrium rate for central rates has fallen considerably due to the high level of borrowing by consumers: this means that central banks do not need to raise rates as much now to have a major impact on consumer spending, inflation, etc. This has pulled down the overall level of interest rates and bond yields in financial markets over the

last 30 years. Indeed, in recent years many bond yields up to 10 years in the Eurozone turned negative on expectations that the EU would struggle to get growth rates and inflation up from low levels. In addition, there has, at times, been an inversion of bond yields in the US whereby 10-year yields have fallen below shorter-term yields. In the past, this has been a precursor of a recession. From 1st April 2022, employees will pay 1.25% more in National Insurance tax. Consequently, inflation will be a bigger drag on real incomes in 2022 than in any year since records began in 1955.

2.2.4 However, since early 2022, yields have risen dramatically in all the major developed economies, first as economies opened post-Covid; then because of the inflationary impact of the war in Ukraine in respect of the supply side of many goods. In particular, rising cost pressures emanating from shortages of energy and some food categories have been central to inflation rising rapidly. Furthermore, at present the FOMC, ECB and Bank of England are all being challenged by persistent inflation that is exacerbated by very tight labour markets and high wage increases relative to what central banks believe to be sustainable.

2.3 Investment Activity

2.3.1 The CIPFA Code and Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council has adhered to these principles during 2022/23.

2.3.2 The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2022/23 the Authority's investment balances have ranged between £5.5m and £47.8m. The average investment balance for the year was £30.19m which is lower than the 2021/22 average balance of £44.5m. This shows the Council are using its reserves in 2022/23 as capital expenditure starts to increase. The Council held investments totalling £8.54m as at 31st March 2023. This final investment balance is less than the previous year due to the influx of Government grant funding, which has since been repaid. A full list of the investments can be found within **Appendix A**.

2.3.3 Investment income for the year totalled £590.9k. Rates had improved throughout the year as the Bank of England Base Rate has hiked up throughout the year. All investments have been kept short term (less than one year) for liquidity purposes with a maximum duration of 6 months. The average rate of investments during the year was 2.21%.

2.3.4 The Council has invested its funds within the parameters set within the Treasury Management Strategy for 2022/23.

2.4 Borrowing Activity

2.4.1 During 2022/23, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim

measure. This strategy was prudent as this reduces cost of carry and minimises counterparty risk on placing investments.

2.4.2 The Council started the year with £9m of short-term loan debt funded by other local authorities and long term PWLB borrowing. £18.5m of new loans were required for liquidity and maturity refinancing throughout the year. The total amount of loan debt as at 31st March 2023 was £10m, which a full list of can also be found in **Appendix A**.

2.4.3 Due to the economic climate of rising interest rates and the need for future borrowing to fund the existing 5 year capital programme, the Council has entered into an agreement to forward borrow of £80m with Aviva Life and Pensions UK Limited. The funds will be available within 2023/24 (£40m), 2024/25 (£20m) and 2025/26 (£20m). The rates for these were secured at 2.89% over a 50 year term. 50 year rates with PWLB rates are currently at 3.25%. A list of these can also be found in Appendix A under "Committed Borrowing".

2.4.4 The Council has borrowed funds within the parameters set within the Treasury Management Strategy for 2022/23.

2.5 Prudential and Treasury Indicators

2.5.1 The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year.

2.5.2 The Council has operated within its Prudential and Treasury Indicators set out in the Treasury Management Strategy 2022/23 and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **Appendix B**.

2.6 Compliance Report

2.6.1 The Director of Finance & Business Improvement can confirm that all treasury management activities undertaken during 2022/23 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

3. AVAILABLE OPTIONS

3.1 The Audit, Governance and Standards Committee agrees that the review of the financial year 2022/23 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted and that no amendments to the strategy are required in consequence.

- 3.2 The Audit, Governance and Standards Committee could propose changes to the current procedures as a result of the review of activities in 2022/23.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit, Governance and Standards Committee agrees that that the review of the financial year 2022/23 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted and no amendments to the strategy are required as there is no justification to make any changes.
-

5. RISK

- 5.1 Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2020/21 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. REPORT APPENDICES

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

- Appendix A: List of Investments and Borrowing as at 31st March 2023.
 - Appendix B: Prudential and Treasury Indicators.
-

8. BACKGROUND PAPERS

- 8.1 None.

Maidstone Borough Council Investments/Borrowing as at 31st March 2023

Investments

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Maximum Term	Maximum Deposit
Aberdeen Standard Liquidity Fund	Money Market Fund	1,945,000			4.05%		£10,000,000
CCLA Public Sector Deposit Fund	Money Market Fund	6,595,000			4.12%		£10,000,000
Total Investments		8,540,000					

Borrowing

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Public Works Loans Board	Central Government	2,000,000	11/11/2021	11/11/2071	1.73%
Public Works Loans Board	Central Government	3,000,000	30/12/2021	30/12/2071	1.56%
Northern Ireland Housing Executive	Housing Authority	5,000,000	28/02/2023	30/05/2023	4.05%
Total Loans		10,000,000			

2024

Committed Borrowing

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Interest Rate
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2064	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2024	13/02/2074	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2025	13/02/2075	2.87%
Aviva Life & Pensions UK Limited	Corporate Lender	20,000,000	13/02/2026	13/02/2076	2.87%
Total		80,000,000			
Total Committed Borrowing		90,000,000			

Prudential and Treasury Indicators

Prudential Indicators

Ratio of Financing Costs to Net Revenue Stream

2021/22 Actual %	2022/23 Estimate %	2022/23 Actual %
-0.17	2.22	-2.20
2021/22 Actual £000	2022/23 Estimate £000	2022/23 Actual £000
-33.70	501.53	-505.90

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. A negative figure shows investment income is higher than borrowing costs. This indicator is shown as a percentage and as a monetary value of the net revenue budget. Investment income was higher during the year due to interest rate increases, whilst loan balances were lower than predicted.

Capital Expenditure

2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m
26.431	34.530	16.639

This indicator shows the total capital expenditure against budget.

Capital Financing Requirement

2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m
66.203	94.093	71.609

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). This includes the current year's capital expenditure. The Council is in an under-borrowing position and has predominately used its reserves to fund the capital programme.

Actual External Debt

2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m
9.000	15.582	10.000

This indicator shows the Council level of gross debt as at 31st March 2023.

Treasury Indicators

Authorised Limit for External Debt

	2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m
Borrowing	11.000	67.388	16.000
Other Long Term Liabilities	2.010	1.473	1.473
Total	13.010	68.861	17.473

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.

Operational Limit for External Debt

	2021/22 Actual £m	2022/23 Estimate £m	2022/23 Actual £m
Borrowing	11.000	57.388	16.000
Other Long Term Liabilities	2.010	1.473	1.473
Total	13.010	58.861	17.473

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.

Maturity structure of fixed rate borrowing

	Original Limits £m	Actual £m
Under 12 months	4	13.5
12 months to under 24 months	0	5
24 months to under 5 years	0	0
5 years to under 10 years	0	0
10 years and within 20 years	0	0
20 years and within 30 years	0	0
30 years and within 40 years	0	0
40 years and within 50 years	5	5

Borrowing at the beginning of the year totalled £9m. £18.5m of new loans were required throughout the year for liquidity purposes and to refinance maturing short-term debt. Loan balances at the end of the year totalled £10m (£5m short-term and £5m long-term PWLB loans).

Agenda Item 17

Audit, Governance and Standards Committee

24 July 2023

Independent Member

Final Decision-Maker	Council
Lead Head of Service	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement Katherine Woodward, Head of Mid Kent Audit
Classification	Public
Wards affected	All

Executive Summary

The Constitution adopted by the Council at its meeting on 19th April 2023 makes provision for the co-option of an Independent Member to the Audit, Governance and Standards Committee. This report sets out a process for identifying and co-opting a suitable person to the Committee.

Purpose of Report

Decision.

This report makes the following recommendations to this Committee:

1. That the Committee agrees the process set out in the report for co-opting an Independent Member to the Committee.

Timetable

Meeting	Date
Audit Governance and Standards Committee	24 July 2023
Audit Governance and Standards Committee	13 November 2023
Council	6 December 2023

Independent Member

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>We do not expect the recommendations will by themselves materially affect achievement of corporate priorities.</p>	Director of Finance, Resources and Business Improvement
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>There will be no material impact on these objectives.</p>	Director of Finance, Resources and Business Improvement
Risk Management	Already covered in the risk section.	Director of Finance, Resources and Business Improvement
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.	Director of Finance, Resources and Business Improvement

Legal	<ul style="list-style-type: none"> The co-option of an independent member of the audit committee is authorised under the council's constitution. 	Team Leader (Contentious and Corporate Governance)
Privacy and Data Protection	No implications	Director of Finance, Resources and Business Improvement
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Equalities & Communities Officer
Public Health	No implications.	Director of Finance, Resources and Business Improvement
Crime and Disorder	No implications.	Director of Finance, Resources and Business Improvement
Procurement	No implications.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and there are no implications on biodiversity and climate change.	Biodiversity and Climate Change Officer

2. INTRODUCTION AND BACKGROUND

- 2.1 The Constitution adopted by the Council at its meeting on 19th April 2023 makes provision for the co-option of an Independent Member to the Audit, Governance and Standards Committee. This is in line with best practice and with guidance from the Chartered Institute of Public Finance and Accountancy (CIPFA). This report sets out a process for identifying a suitable person to be co-opted to the Committee.
- 2.2 Note that the Independent Member will be in addition to the two Parish Representatives who already sit on the Audit, Governance and Standards Committee. Like the Parish Representatives, the Independent Member will not have voting rights.

- 2.3 A job description and person specification for the role has been prepared and is attached at Appendix 1.
- 2.4 In recognition of the importance of the role, it is proposed that an allowance be paid to the Independent Member. Four other Kent districts have independent members on their Audit Committees and each pay an allowance, the annual amounts ranging from £800 to £840. It is recommended that Maidstone pays an allowance of £900. This is slightly more than our peers pay, but the premium is justified given that Maidstone is the largest borough council district in Kent. It is also the same amount as the allowance paid to Maidstone Borough Council's Independent Person, a separate role which nevertheless has features in common with this one.
- 2.5 In order to ensure that a wide range of potential candidates are alerted to the opportunity, it is proposed to advertise for the role on LinkedIn, PF Jobs and the Council's own website. Committee members are encouraged to alert members of their own professional networks to the opportunity.
- 2.6 A panel comprising the Chair, Vice-Chair, Director of Finance, Resources and Business Improvement and Head of Mid-Kent Audit will meet to review applications for the role. A short list will be drawn up of no more than four candidates who meet the criteria set out in the job description and person specification. The panel will then meet the shortlisted candidates and select one candidate to recommend to the Committee for recommendation to the Council for co-option.
- 2.7 It is envisaged that this process will be carried out over the next three months, such that the recommended candidate may be put forward to the Committee at its meeting in November.
-

3. AVAILABLE OPTIONS

3.1 Option 1

The approach described above for the selection of a co-opted member is adopted.

3.2 Option 2

Members propose an alternative approach. Note that the Council's constitution requires that an independent member be co-opted to the Committee, so any alternative approach would still require this as an outcome.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that the approach described above be adopted. It follows a widely accepted model for identifying suitable candidates and is consistent with best practice.
-

5. RISK

- 5.1 The overall impact of the course of action proposed in the report is likely to be to mitigate the risks faced by the Council, in that it will add an informed and independent element to the work of the Committee.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The proposal to co-opt an Independent Member was considered by Democracy and General Purposes Committee prior to Council adopting the current constitution, and was generally welcomed.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 See section 2 above.
-

8. REPORT APPENDICES

- Appendix 1: Job description and Person Specification
-

9. BACKGROUND PAPERS

None.

CO-OPTED INDEPENDENT MEMBER OF AUDIT GOVERNANCE AND STANDARDS COMMITTEE

MAIDSTONE BOROUGH COUNCIL

Background

Maidstone Borough Council is the largest borough council district in Kent, with a population of 180,000. The Council's gross revenue expenditure is nearly £100 million and it has an ambitious capital programme, worth around £200 million over the next five years. The Council has a strong financial track record and it holds a healthy but not excessive level of reserves.

The Council recognises the value of independent scrutiny and is now seeking to co-opt an independent member to its Audit Governance and Standards Committee.

Audit Governance and Standards Committee

The Committee meets five times a year. Its purpose is to ensure the promotion and maintenance of high standards of Councillor and Officer conduct within the Council, to provide independent assurance of the adequacy of the financial and risk management framework and the associated control environment, to review performance in relation to risk and the control environment, and to oversee the financial reporting process.

Specific responsibilities include:

- To consider reports from the Internal Audit service and the Head of Internal Audit's annual opinion
- To consider the External Auditor's Annual Audit Letter, relevant reports, and any other report or recommendation to those charged with governance
- To review and approve the annual statement of accounts
- To consider and review the effectiveness of the Treasury Management Strategy, Investment Strategy, Capital Strategy and Medium Term Financial Strategy
- To monitor the effectiveness of the Council's Counter-Fraud and Corruption Strategy.

Your role

The Independent Member will:

- Ensure that he/she is fully briefed on issues being considered by the Committee, attending additional meetings and training events as necessary.
- Participate fully in helping the Committee to carry out its responsibilities
- Be an independent source of support for the Committee, providing independent and informed challenge and scrutiny in response to reports presented to it.

- Reflect the standards and values of the Council in his/her conduct in Committee meetings and outside.

Knowledge and Skills

The candidate for the position of Independent Member of the Committee will have:

Essential

- A background and appropriate experience of financial / audit management and / or experience of governance issues.
- A good understanding of governance, risk management and control.
- Integrity, objectivity and discretion.
- An ability and willingness to analyse complex information, question, probe and seek clarification so to come to an independent and unbiased view.

Desirable

- Experience of working with or being a member of an Audit Committee or similar, such as Scrutiny or Governance.
- Experience of working in or with large, complex organisations with an understanding of the political environment that local authorities operate within.
- Good interpersonal and communication skills.

You should not:

- Have been a member or employee of the Council at any time during the last 5 years.
- Be a relative or close friend of a member or officer of the Council.
- Be engaged in any party political activity.
- Have any criminal convictions or be an un-discharged bankrupt.
- Have any significant business dealings with the Council.

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

24 July 2023

Budget Strategy – Risk Assessment Update

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service/Lead Director	Mark Green, Director of Finance, Resources and Business Improvement
Lead Officer and Report Author	Mark Green, Director of Finance, Resources and Business Improvement
Classification	Public
Wards affected	All

Executive Summary

The revenue out-turn for 2022/23 saw the Council achieve a small underspend against its budget. Given continued effective financial management, the prospects of a similar out-turn for 2023/24 look reasonable at this early stage in the financial year.

Looking further ahead, the Council’s financial position risks being adversely affected by the continued high rate of inflation, given that it is severely constrained in its capacity to increase revenues in response to increased costs.

Although the Council has a low level of borrowing at present, it plans to embark on significant borrowing over the next few years to fund its capital programme, which will also bring a heightened degree of risk.

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	24 July 2023

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, Resources and Business Improvement
Cross Cutting Objectives	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance, Resources 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, Resources 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, Resources 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, Resources and Business Improvement
Legal	The Council has a statutory obligation to set a balanced budget and development of	Team Leader (Contentious and Corporate Governance)

	the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	
Information Governance	No implications.	Director of Finance, Resources and Business Improvement
Equalities	If not already considered, an Equalities Impact Assessment should be completed as part of the recommended work set out in the strategy to ensure they meet the needs of those affected by it.	Equalities & Communities Officer
Public Health	None identified.	Director of Finance, Resources and Business Improvement
Crime and Disorder	None identified.	Director of Finance, Resources and Business Improvement
Procurement	None identified.	Director of Finance, Resources and Business Improvement
Biodiversity and Climate Change	None identified.	Biodiversity & Climate Change Manager

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.

Current position

- 2.2 The revenue out-turn for 2022/23 was an underspend of £212,000 (0.9%) against the budget. Overspends, most significantly on temporary accommodation for homeless families, were more than offset by underspends elsewhere, arising mainly from better than budget performance on income generation and from staff vacancies.
- 2.3 The Council is effective in managing financial performance. This is underpinned by regular quarterly meetings at which Heads of Service are held to account for financial performance against budget and reporting of quarterly financial performance to Policy Advisory Committees and the Executive.
- 2.4 There continue to be budget risks, particularly around temporary accommodation. An additional £600,000 has been built into the budget for temporary accommodation for 2024/25, but this may still not be adequate given the level of demand.
- 2.5 The Council's balance sheet position remains strong. Unallocated General Fund reserves at 31 March 2023 amounted to £11 million. The Council's liabilities include long term borrowing of just £5 million.

Future position – 2023/24 and subsequent years

- 2.6 CPI inflation is currently (May 2023) running at 8.7%. Whilst the Bank of England's core projection is for a reduction to the target level of 2% by the end of 2024, its projections have consistently been over-optimistic and there is a high likelihood that inflation will remain around 5% for some years to come.
- 2.7 The implications for the Council are very significant, given the constraints on its capacity to increase revenues to offset increases in prices. Maidstone Borough Council is largely self-sufficient financially: locally generated sources of income (Council Tax, Business Rates and Other Income) cover most of the Council's cost of services. Direct unringfenced government support in the form of the Revenue Support Grant ended in 2016/17, although additional support was provided by government subsequently to assist with additional Covid-19 spend.
- 2.8 However, the local authority funding framework set by government remains a crucial determinant of the Council's future financial position. This is primarily because (a) central government restricts the amount by which Council Tax can be increased and (b) it determines the share of business rates that can be retained locally. The Council is therefore severely constrained in its capacity to increase revenues in response to increased costs.
- 2.9 At this stage we do not have any clarity about the Council Tax referendum limit, the Business Rates baseline and any other grants such as New Homes Bonus for 2024/25. The usual pattern whereby the local government finance settlement is announced just before Christmas suggests that we will not have any definitive figures until late December.

2.10 As Maidstone's financial position is so dependent on government policy and on broader economic factors such as inflation, neither of which can be predicted with any certainty, it is appropriate to model the impact of different scenarios on the Council. This follows a similar approach to that adopted in previous years in financial planning. For these purposes, we consider it prudent at this stage to adopt a scenario which combines continued high inflation and tight constraints on the Council's revenue raising capacity. However, other scenarios will be modelled and the implications considered when developing an updated Medium Term Financial Strategy.

Capital Programme

- 2.11 The Council has an ambitious capital programme, which includes plans to deliver 1,000 new affordable homes over the next ten years. Funding this will require an increase in long term debt from £5 million today to over £150 million in 2027/28, with the revenue cost of capital increasing accordingly.
- 2.12 There are a number of risks associated with the capital programme which potentially will impact the revenue account, to the extent that capital expenditure is abortive or leads to the write-down of capital investments:
- Construction prices increasing
 - Contractor failure / liquidation
 - Availability / cost of finance (currently the Council has arranged £80 million of funding, but the availability and cost of finance when this is exhausted is not known).
- 2.13 Finally, there is a specific requirement in relation to the Affordable Housing programme to provide the necessary subsidy for tenants. The requirement for a subsidy arises because affordable housing (ie housing to be let at a rent of no more than 80% of the Local Housing Allowance) does not achieve the rate of return that is required on Council investments in order to satisfy the prudential borrowing rules. There is a risk that, if the necessary subsidy is not available, the Council will not be able to achieve the targeted number of affordable homes.
- 2.14 In light of the risks described above, the following changes are proposed to the budget risk register.

Ref	Risk	Factor considered	Implications for risk profile
D	Planned savings are not delivered	Performance against budget provides reassurance that the Council can deliver its savings targets.	Impact – major (no change) Likelihood – possible (reduced)

Ref	Risk	Factor considered	Implications for risk profile
G	Inflation rate is higher than 2% government target	Not only is inflation currently well in excess of target, it may well remain high for some years to come.	Impact – major (increased) Likelihood – almost certain (no change)
I	Constraints on Council Tax increases	The Council Tax referendum limit for 2023/24 was 3%. Whilst it is not expected that the limit will be reduced in 2024/25, this is still considerably less than the likely rate of inflation.	Impact – major (increased) Likelihood – probable (no change)

2.15 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.

2.16 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 is under way for the 2024/25 budget and the results will be reported to Members 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:

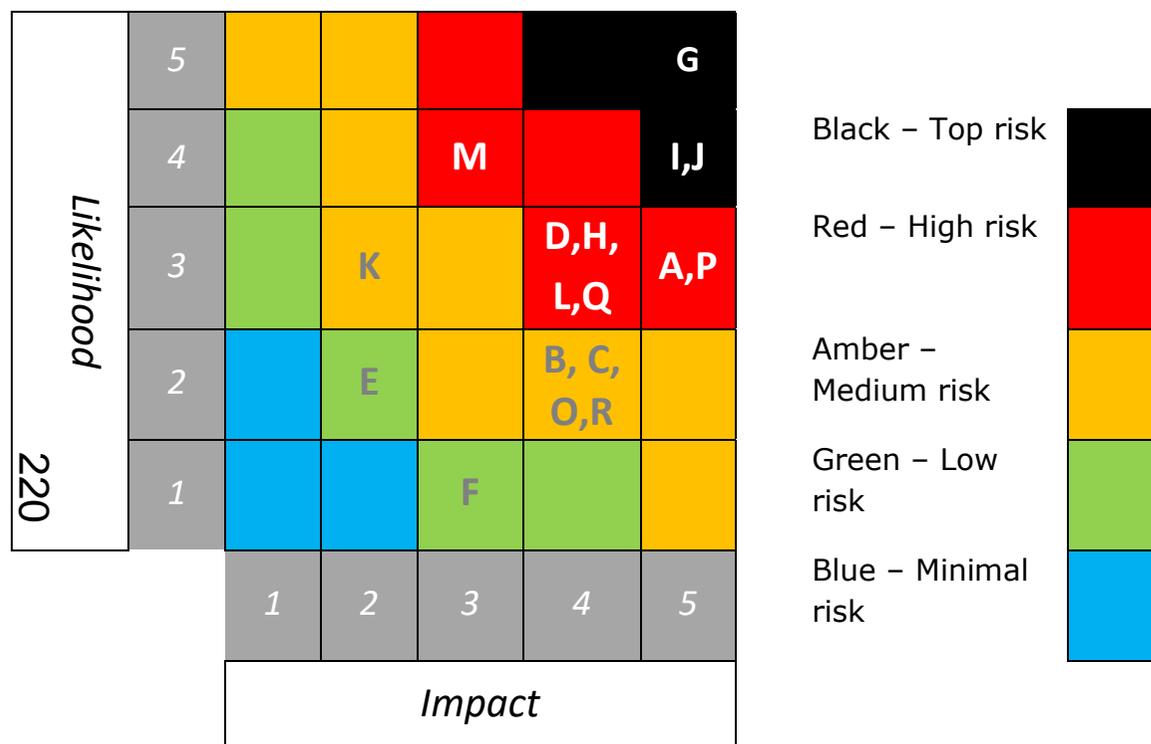
- Appendix A: Budget Strategy Risks
-

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.

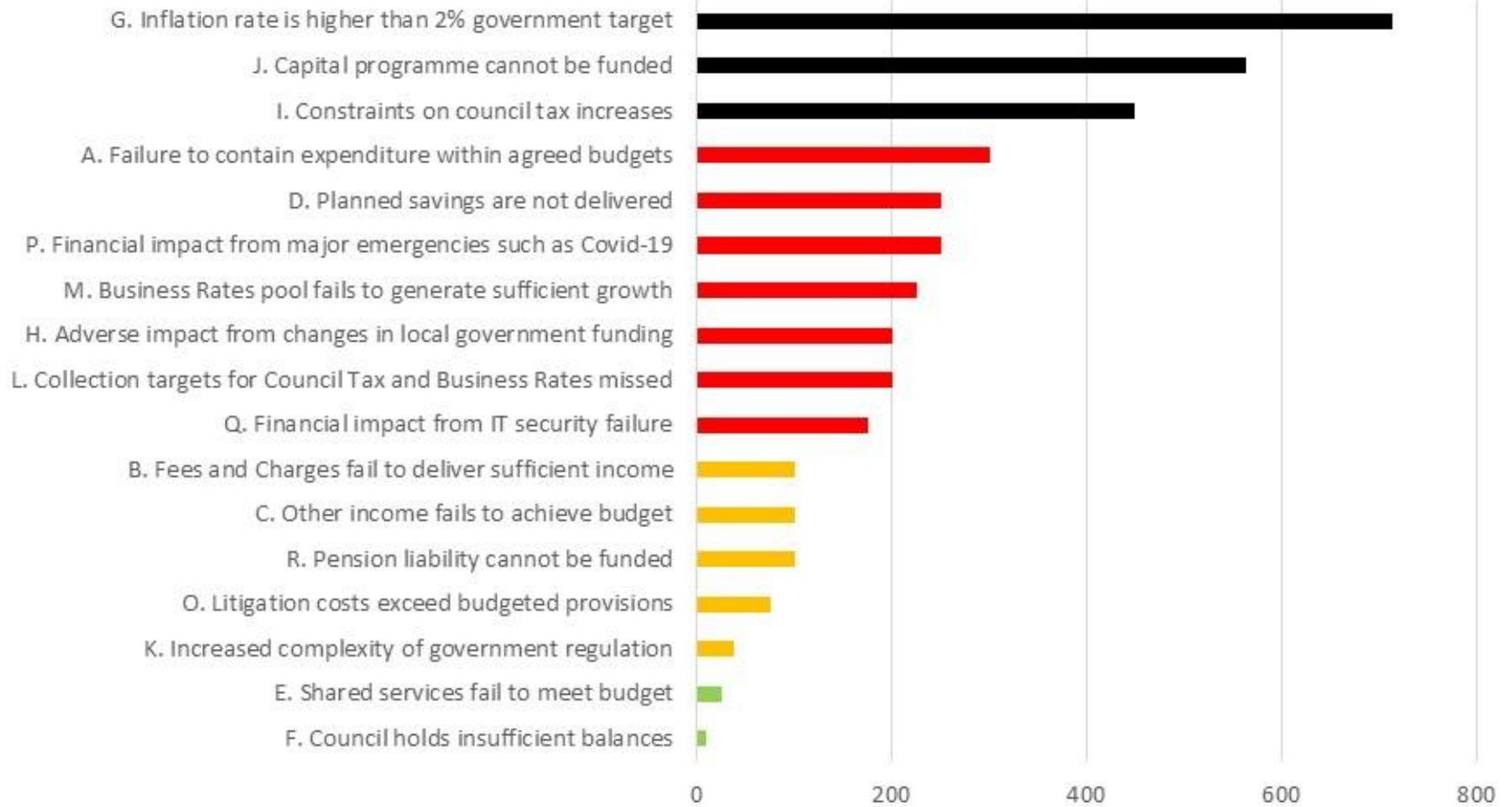


A. Failure to contain expenditure within agreed budgets	J. Capital programme cannot be funded
B. Fees and Charges fail to deliver sufficient income	K. Increased complexity of government regulation
C. Other income fails to achieve budget	L. Collection targets for Council Tax and Business Rates missed
D. Planned savings are not delivered	M. Business Rates pool fails to generate sufficient growth
E. Shared services fail to meet budget	O. Litigation costs exceed budgeted provisions
F. Council holds insufficient balances	P. Financial impact from major emergencies such as Covid-19
G. Inflation rate is higher than 2% government target	Q. Financial impact from IT security failure
H. Adverse impact from changes in local government funding	R. Pension liability cannot be funded
I. Constraints on council tax increases	

The budget risks may be ranked, based on the scores shown below, as follows:

Risk	Ranking	Financial impact (in any one financial year)				
		Lower £000	Upper £000	Mid- point £000	Likelihood %	Weighted £000
G. Inflation rate is higher than 2% government target	1	500	1,000	750	95	713
J. Capital programme cannot be funded	2	500	1,000	750	75	563
I. Constraints on council tax increases	3	400	800	600	75	450
D. Planned savings are not delivered	4	250	750	500	75	375
A. Failure to contain expenditure within agreed budgets	5	200	800	600	50	300
P. Financial impact from major emergencies such as COVID-19	6	250	750	500	50	250
M. Business Rates pool fails to generate sufficient growth	7	150	450	300	75	225
H. Adverse impact from changes in local government funding	8=	100	900	400	50	200
L. Collection targets for Council Tax and Business Rates missed	8=	200	600	400	50	200
Q. Financial impact from IT security failure	10	100	600	350	50	175
B. Fees and Charges fail to deliver sufficient income	11=	200	600	400	25	100
C. Other income fails to achieve budget	11=	200	600	400	25	100
R. Pension liability cannot be funded	11=	200	600	400	25	100
O. Litigation costs exceed budgeted provisions	14	100	500	300	25	75
K. Increased complexity of government regulation	15	50	100	75	50	38
E. Shared services fail to meet budget	16	50	150	100	25	25
F. Council holds insufficient balances	17	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
223 A	<p>Failure to contain expenditure within agreed budgets</p> <p>The Council overspends overall against its agreed budget for the year</p>	<p>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.</p>	<ul style="list-style-type: none"> - Embedded and well established budget setting process - Medium Term Financial Strategy - Balanced budget agreed by Council for 2023/24. - Strong controls over expenditure and established process for recovering from overspends 	5	3	15
B	<p>Fees & Charges fail to deliver sufficient income</p> <p>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.</p>	<p>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.</p>	<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	2	8
C	<p>Other income fails to achieve budget</p> <p>In addition to fees and charges, the Council relies on other income from capital investment, which may not deliver the expected level of income.</p>	<p>The medium term financial strategy includes a contribution from investment opportunities, so any shortfall would have an impact on the overall strategy.</p> <p>Income generation from investment activities supports the revenue budget and is required in ordered to pay back capital investment.</p>	<ul style="list-style-type: none"> - Individual risks associated with specific projects within the capital strategy will be assessed, both as part of the project appraisal process and during the course of delivering the projects. 	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
D	<p>Planned savings are not delivered</p> <p>Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget</p>	<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>	<ul style="list-style-type: none"> - 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. - Savings proposals are separately identified and monitored in the Council's general ledger. - The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees. 	4	3	12
224 E	<p>Shared Services</p> <p>Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.</p>	<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	<p>Insufficient Balances</p> <p>Minimum balance is insufficient to cover unexpected events</p> <p>OR</p> <p>Minimum balances exceed the real need and resources are held without identified purpose with low investment returns</p>	<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>	<ul style="list-style-type: none"> - The Council has set a lower limit below which General Fund balances cannot fall of £4 million. - At the beginning of the 2023/24 financial year unallocated General Fund reserves are projected to be £11 million. 	3	1	3
G	<p>Inflation rate is higher than 2% government target</p> <p>Actual levels are significantly above target</p>	<p>Continued high inflation will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p> <p>Services have supported the budget strategy through savings. Levels below those expected would result in</p>	<ul style="list-style-type: none"> - Allowances for inflation are developed from three key threads: <ul style="list-style-type: none"> o The advice and knowledge of professional employees o The data available from national projections 	5	5	25

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		an increase in balances or unused resources that could be used to achieve strategic priorities.	<ul style="list-style-type: none"> ○ An assessment of past experience both locally and nationally <p>- MTFS core inflation projections will be increased to 5% for 2024/25.</p>			
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 2026/27, 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 2027/28 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	3	12
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 inflation levels in excess of the referendum limit have to be absorbed by making savings elsewhere.	<p>- The budget for 2023/24 incorporates a Council Tax increase of 3%.</p> <p>- Budget planning is based around the assumption that Council Tax increases will be maximised within the constraints of the referendum limit in subsequent years.</p>	5	4	20
J	<p>Capital Programme cannot be funded</p> <p>Reduction or total loss of funding sources means that the capital programme cannot be delivered or demands on funding exceed available supply</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>A reduction in this funding will mean that future schemes cannot be delivered.</p>	<p>- Council has access to borrowing.</p> <p>- Council has confirmed in the past that borrowing is acceptable if it meets the prudential criteria.</p> <p>- Capital expenditure is monitored carefully against the borrowing limits that the Council sets itself.</p>	5	4	20

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
K	<p>Increased volume and complexity of government regulation</p> <p>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.</p>	<p>Scaling up administrative resources to address the increased volume and complexity of reporting and regulation may divert attention from other priorities.</p> <p>Ultimately, failure to comply with new regulatory requirements could pose financial and reputational risk for the Council.</p>	<p>- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents.</p> <p>- Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.</p>	2	3	6
L 226	<p>Business Rates & Council Tax collection</p> <p>Council fails to maintain collection targets for business rates and council tax</p>	<p>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.</p> <p>Business rates amount to around £50 million in 2023/24 and Council Tax due amounts to around £120 million.</p>	<p>- The Council has a good track record of business rates and Council Tax collection.</p> <p>- Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc.</p>	4	3	12
M	<p>Business Rates pool</p> <p>Changes to rateable value (RV) or instability of business rates growth within the pool may not generate projected levels of income</p>	<p>Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.</p>	<p>- 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 £14m in 2023/24.</p> <p>- Provisions have been made when projecting business rates income for bad debts and losses on appeal so any loss of income would relate to the excess over the provisions already made.</p>	3	4	12
O	<p>Litigation costs exceed budgeted provisions.</p> <p>The Council is often engaged in litigation and generally the costs of any award against the Council and associated costs of legal advice can</p>	<p>Costs in excess of budget would require a drawing on reserves and the identification of savings in</p>	<p>- Corporate Leadership Team is updated regularly on outstanding legal cases.</p>	4	2	8

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	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.	subsequent years in order to replenish the level of reserves.	- Appropriate professional advice is taken at all times.			
P	<p>Financial impact from emergencies such as COVID-19</p> <p>A resurgence of the pandemic or a similar emergency 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.</p>	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	3	15
227 Q	<p>Financial impact from IT security failure</p> <p>Local authorities have been subject to cyber attacks over the past few years, often with severe financial and service implications.</p>	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
R	<p>Pension liability cannot be funded</p> <p>There are a range of risks associated with the pension liability, including pension fund investment performance, inflation in salaries and pensions, changes in longevity, and capacity of the organisation to support pension fund contributions.</p>	Additional revenue costs will arise from an increased pension liability	<ul style="list-style-type: none"> - Regular actuarial valuations - Mitigating actions in the form of increases to employer pension contributions 	4	2	8

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	Unlikely to cause complaint Breaches of local procedures	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