

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Thursday 11 April 2024
Time: 6.30 p.m.
Venue: Town Hall, High Street, Maidstone

Membership:

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

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.

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Issued on Wednesday 3 April 2024

Continued Over/:



Alison Broom, Chief Executive

| | |
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PART II

To move that the public be excluded for the items set out in Part II of the Agenda because of the likely disclosure of exempt information for the reasons specified having applied the Public Interest Test.

Head of Schedule 12 A and Brief Description

| | | |
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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 Tuesday 9 April 2024). 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 Tuesday 9 April 2024). 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.

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MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY 15 JANUARY 2024

Attendees:

| | |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Committee Members: | Councillors Cox (Chairman), Coulling, Harper, Hastie, Jones, Kimmance, Knatchbull, Titchener, Trzebinski and Webb |
| Visiting Members: | Councillor Perry |

62. **APOLOGIES FOR ABSENCE**

Apologies for absence were received from Councillors Bartlett and Forecast.

63. **NOTIFICATION OF SUBSTITUTE MEMBERS**

The following Substitute Members were noted:

- Councillor Hastie for Councillor Bartlett
- Councillor Webb for Councillor Forecast

64. **URGENT ITEMS**

The Chairman stated that he had accepted the Committee Work Programme as an urgent item, so that it could be reviewed ahead of the next meeting, and that this would be considered after Item 11 – Questions from Members to the Chairman.

An urgent update to Item 19 – Exempt Appendix to Item 18 – Independent Member had been accepted as it contributed to the item’s consideration.

65. **CHANGE TO THE ORDER OF BUSINESS**

The Chairman stated that Item 13 – Information Governance Report – Annual Report would be taken after Item 17 – Budget Strategy – Risk Assessment Update, to allow the relevant staff to attend, with Items 14 – External Auditor’s Audit Plan 2022/23 and 15 – External Auditor’s Progress Report and Sector Update, to be taken together due to the related subject matter.

66. **NOTIFICATION OF VISITING MEMBERS**

Councillor Perry was present as a Visiting Member for Item 16 – Treasury Management Strategy, Investment Strategy and Capital Strategy for 2024/25.

67. **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

68. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

69. EXEMPT ITEMS

RESOLVED: That all items be taken in public, unless any Member of the Committee wishes to discuss Item 19 – Exempt Appendices to Item 18 – Independent Member, in which case the Committee would enter into closed session due to the possible disclosure of exempt information, for the reason specified having applied the public interest test.

70. MINUTES OF THE MEETING HELD ON 13 NOVEMBER 2023

RESOLVED: That the Minutes of the meeting (Parts I and II) held on 13 November 2023 be approved as a correct record and signed, subject to the last paragraph of Minute 55 being amended to read:

‘The Committee expressed support for triple bottom line accounting in considering the possible impacts of a decision. *A briefing was therefore requested on the usage and evaluation of triple bottom line accounting ahead of a future meeting*’.

Note: Councillor Hastie joined the meeting at 6.42 p.m. and had no disclosures or interest or lobbying to declare.

71. PRESENTATION OF PETITIONS

There were no petitions.

72. QUESTIONS AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from Local Residents.

73. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members.

74. COMMITTEE WORK PROGRAMME

The Committee were informed that the next meeting would be postponed, but was still likely to be held in March 2024. A hybrid briefing on triple bottom line accounting take place was requested ahead of the meeting with consideration to be given to maximising Member attendance.

The Director of Finance, Resources and Improvement confirmed that there was a signed contract in place with the managing agent for the Lockmeadow complex, with headlines to be provided to the Committee outside of the meeting.

RESOLVED: That the Committee Work Programme be noted.

75. MEMBER CODE OF CONDUCT & ARRANGEMENTS FOR DEALING WITH COUNCILLOR CONDUCT COMPLAINTS

The Monitoring Officer introduced the report and outlined the historical context and timeline to updating the Member Code of Conduct (the Code). The documents attached at appendices 3 and 4 to the report had been reviewed by the Kent Secretaries Group, which was comprised of Monitoring Officers, Heads of Legal and other Senior Officers from the Kent Local Authorities. The proposed code adopted the majority of the Local Government Association Code, except for the civility provisions.

Having a Kent wide Code of Conduct would ensure consistency, continuity and clearly defined expectations in the codes' application which was particularly important for Members elected to numerous local authorities at one time. It would also allow for training across the Kent network, with any issues to be raised and solutions identified more easily through the Kent Secretaries Group.

In response to questions, the Monitoring Officer confirmed that the Code had been adopted by Kent County Council (KCC), and that whilst it was not mandatory, Parish Councils would be encouraged to adopt the Code as proposed to ensure consistency across the local government tiers.

The Committee felt that Parish Councils should have been directly consulted on the proposed code given its importance, and that the item should be deferred to the next meeting to allow for this to take place without indefinitely delaying the code's consideration. The engagement would take place via the Chairman of the Maidstone branch of the Kent Association of Local Councils.

RESOLVED: That consideration of the item be deferred to the next meeting, to allow the Kent Association of Local Councils had been consulted on the proposed code.

76. EXTERNAL AUDITOR'S AUDIT PLAN 2022/23 & EXTERNAL AUDITOR'S PROGRESS REPORT & SECTOR UPDATE

Ms Sophia Brown of Grant Thornton introduced the reports.

In relation to the External Auditor's Audit Plan 2022/23, particular attention was drawn to:

- The three significant risks to the audit were the management over-ride of controls, valuation of the pension fund net liability and valuation of land and buildings. These were the same as identified in the 2021/22 Financial Statements Audit;
- Materiality having been determined at £1.8 million, which was slightly lower than the previous year, however this was based on the Council's gross expenditure which had slightly decreased across 2022/23. Any errors identified above the £92, 000 trivial level would be included in the audit findings report when presented to the Committee;
- The updates on the previous years' findings and recommendations were included within the report. A joint Value for Money report for 2021/22 and 2022/23 was being produced and would be shared alongside the Annual

Auditor's Report at the Committee's next meeting; there were no significant risks or weaknesses identified in the plan to date.

In relation to the External Auditor's Progress Report & Sector Update, it was stated that:

- Planning and risk assessment work had begun in November 2023, with the planning work substantially complete except for a few management responses to enquiries;
- The audit of accounts for the 2022/23 financial year had started in the new calendar year following the receipt of draft revised financial statements. Grant Thornton was working closely with the Council's Finance Team, which included reconciling an issue with cashflow statements;
- A positive meeting had taken place with the Property, Plant and Equipment (PPE) valuer, with assurances given that responses to the initial queries would be provided; Grant Thornton were content with the current progress. Should the progress not be maintained, the matter would be referred upwards to the Director of Finance, Resources and Business Improvement;
- The additional fee for the 2021/22 audit had been agreed with management and submitted to Public Sector Audit Appointments for agreement; and
- Grant Thornton were on track to deliver its audit opinion by the end of March 2024. The final date to deliver the opinion was by September 2024, although no changes were currently proposed to the former timeline.

The Committee were reassured by the update provided but requested that they be informed if the External Auditor's report was likely to be delayed. It was also requested that a pre-meeting briefing take place on the draft accounts before these were submitted to the Committee, to assist it in discharging its audit functions. As a briefing had been separately requested on triple bottom line accounting, the briefings would be held on different dates to maximise Member attendance; the latter could in principle take place on the now postponed 11 March 2024 meeting date.

RESOLVED: That

1. The External Auditor's Audit Plan for the 2022/23 year, attached at Appendix A to the report, be noted; and
2. The External Auditor's Audit Progress and Sector Update, attached at Appendix A to the report, be noted.

77. TREASURY MANAGEMENT STRATEGY, INVESTMENT STRATEGY AND CAPITAL STRATEGY FOR 2024/25

The Finance Manager introduced the report and stated that the Council's Treasury Management Strategy Statement (TMSS), attached at Appendix A to the report, complied with the CIPFA code.

It was stated that:

- The TMSS included ensuring sufficient liquidity to fund the capital programme, meet the Council's liabilities, examine longer-term borrowing across periods of more than a year with the limit in doing so increased from £2 million to £5 million, assess in-year capital spend and obtain the best rates for the Council if further borrowing was required;
- The Annual Investment Strategy outlined investment criteria, following security, liquidity then yield priorities. The Council's current investments totalled £18.185 million, with further details outlined in Appendix C to the report. The Council would be drawing on £40 million in funding from Aviva in February 2024 which would be held as a short term cash investment until required;
- Further borrowing may be required from 2024/25 or 2025/26 onwards, as displayed in the Liability Benchmark Graph within the report. Long and short term borrowing totalled £10 million, divided equally between the Public Works Loan Board and other Local Authorities; the latter would be paid off first as short term funding was more expensive to the Council; and
- The Capital Strategy was contained within Appendix B to the report, with the capital programme totalling £433 million over the next 10 years. The Council would need to commit to £259 million in prudential borrowing to fund the programme, and was not expected to exceed the Capital Finance Requirement, which would reach £369 million in supporting the programme.

During the discussion, the importance of securing borrowing at suitable interest rates and providing details of the capital programme were highlighted. In response to a question, the Head of Finance explained the programme of proposed property purchases to mitigate the need for costly temporary accommodation.

RESOLVED: That

1. The Treasury Management Strategy for 2024/25 attached at Appendix A to the report, be agreed and recommended to Council for adoption, subject to any amendments arising from consideration of the Capital Programme by Cabinet at its meeting on 7 February 2024; and
2. The Capital Strategy for 2024/25 attached as Appendix B to the report, be agreed and recommended to Council for adoption.

78. **BUDGET STRATEGY - RISK ASSESSMENT UPDATE**

The Director of Finance, Resources and Business Improvement introduced the report, stating that there was an estimated £800,000 overspend on Temporary Accommodation (TA) for the current financial year, with the Council projecting an overall overspend of £300,000 for the year. In September 2023, revenue budget proposals were presented to the Policy Advisory Committees and Cabinet that would generate just under £1 million in savings to produce a balanced budget. It was assumed that Council Tax would be increased by 3%.

The Local Government Finance Settlement had included a 3% increase in core spending power for all Councils, separate to any council tax increases, through the Funding Guarantee (FG). The FG totalled £3.3 million and as a one-off funding source, would be allocated to supporting the capital programme in line with the Council's usual practice for one-off funding. The funds would support the subsidy required for the housing units as part of the 1000 Affordable Home Programme (AHP). The capital programme was ambitious, with risks relating to funding and delivery highlighted given inflation rates, building costs and the overall requirements in managing the capital programme, however mitigating measures were in place.

In response to a question, the Director of Finance, Resources and Business Improvement confirmed that using the Funding Guarantee to support the delivery of the 1000 AHP would not impact revenue spending, as the Council had identified the savings required to produce a balanced budget without reducing service provision.

RESOLVED: That the risk assessment of the Budget Strategy provided at Appendix A to the report, be noted.

79. INFORMATION GOVERNANCE REPORT – ANNUAL REPORT

The Head of Insight, Communities and Governance briefly introduced the annual report, outlining the matters covered within the report and appendices.

The Senior Information Governance Officer stated that the Information Governance Team (the Team) continued to deliver against an increasing volume and complexity of work; there was no backlog of requests, with good progress made on the Data Protection Action Plan. There had been an increase in contact from the public relating to single issues, and work was ongoing with the Council's departments to manage customer communications within each service area, with changes to internal processes to improve compliance.

The Local Government and Social Care Ombudsman consultation had closed in December 2023, with the outcome awaited which would likely include changes on how complaints were managed by the Team and have cost implications. The Council's finance teams had been informed in preparing for the likely changes, with a subsequent update to be presented to the Committee when appropriate.

In response to questions, the Head of Insight, Communities and Governance stated that:

- Requests from Councillors were not specifically recorded, as it was expected that Members and Officers communicated regularly and it would be a significant task to record each interaction. The Team prioritised meeting the statutory requirements associated with Freedom of Information Requests, Environmental Information Regulations and Subject Access Requests; and
- There had been no malicious contents in any of the data breaches across 2022-23 and no fines issued. The threshold for reporting data breaches was different to the threshold for issuing a fine; the latter would be expected if there was a consistent issue and/or a high impact data breach. The internal reporting procedures were outlined.

In response to questions, the Senior Information Governance Officer stated that working from Home was not impacting the number of data breaches. The increase in data breaches was likely due to the increase in work being conducted with departments to raise awareness of breaches and responding proactively.

RESOLVED: That the report be noted.

Note: Councillor Simon Webb left the meeting at 8.32 p.m.

80. INDEPENDENT MEMBER

The Director of Finance, Resources and Business Improvement introduced the report, and stated that both references had now been received for the suggested candidate. It was recommended that full Council be recommended to agree the co-option.

The committee entered into closed session at 8.42 p.m. to discuss the report appendices in further detail.

RESOLVED: That the public be excluded from the meeting for the following item of business due to the likely disclosure of exempt information for the reasons specified having applied the public interest test.

Head of Schedule 12A and Brief Description

| | |
|--------------------------------------------------------------|-----------------------------------------------|
| Item 19 – Exempt Appendix to Item 18 – Independent Member | 1 – Information relating to any individual |
|--------------------------------------------------------------|-----------------------------------------------|

During the discussion, the Committee considered the references provided and asked questions on the applicant’s job history, the appointment process followed and the relevant Human Resources policies.

The Committee returned to open session at 9.18 p.m. and recommended that the Council be recommended to co-opt the person proposed, with a six-month review period for both the co-optee and the Council.

RESOLVED: That the Council be recommended to co-opt the person proposed by the selection panel as an independent Member of the Committee, with a six-month review period for both the co-optee and the Council.

Note: Councillors Hastie and Kimmance left the meeting at 8.41 p.m. and 8.49 p.m. respectively.

81. DURATION OF MEETING

6.30 p.m. to 9.20 p.m.

Agenda Item 11

Audit, Governance & Standards Committee

11 April 2024

Complaints Received Under the Members' Code of Conduct

| | |
|---------------------------------------|-----------------------------------------------|
| Final Decision-Maker | Audit, Governance & Standards Committee |
| Lead Head of Service | Claudette Valmond – Head of Legal Partnership |
| Lead Officer and Report Author | Russell Fitzpatrick – Monitoring Officer |
| Classification | Public |
| Wards affected | All |

Executive Summary

The report provides an update to the Committee on complaints received and disposed of under the Members' Code of Conduct for the period 1 March 2023 to 28 February 2024. This is set out at Appendix 1 of the report.

This report makes the following recommendations to this Committee:

1. That the contents of the report be noted.

Timetable

| Meeting | Date |
|-----------------------------------------|---------------|
| Audit, Governance & Standards Committee | 11 April 2024 |

Complaints Received Under the Members' Code of Conduct

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------|
| Impact on Corporate Priorities | High standards of conduct are essential amongst Members in delivering the Council's priorities. The Code of Conduct complaints procedure supports this. | Senior Legal Adviser – Corporate Governance |
| Cross Cutting Objectives | No impact. | Senior Legal Adviser – Corporate Governance |
| Risk Management | The report is presented for information only and has no risk management implications. An effective and robust Code of Conduct complaints procedure minimises the risk of Member misconduct and is part of an effective system of governance. | Senior Legal Adviser – Corporate Governance |
| Financial | There are no direct financial implications; however, should it be necessary to appoint external Independent Investigators, the cost of this will be met by the Borough Council. | Senior Legal Adviser – Corporate Governance |
| Staffing | The complaints procedure is dealt within the remit of the Monitoring Officer with input from the Legal team as required. | Senior Legal Adviser – Corporate Governance |
| Legal | The requirements of the Localism Act 2011 with regards to the Code of Conduct complaints procedure are set out within the report. The reporting process ensures that the Committee continues its oversight of the Code of Conduct as required by the Constitution. | Senior Legal Adviser – Corporate Governance |
| Privacy and Data Protection | No personal information is provided as part of the report. | Senior Legal Adviser – Corporate Governance |
| 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 identified in the report. | Senior Legal Adviser – |

| | | |
|----------------------------------------|--------------------------------|---------------------------------------------|
| | | Corporate Governance |
| Crime and Disorder | None identified in the report. | Senior Legal Adviser – Corporate Governance |
| Procurement | None identified in the report. | Senior Legal Adviser – Corporate Governance |
| Biodiversity and Climate Change | None identified in the report. | Senior Legal Adviser – Corporate Governance |

2. INTRODUCTION AND BACKGROUND

- 2.1 It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life. The current Members’ Code of Conduct for Maidstone Borough Council is set out in the Constitution.
- 2.2 The Localism Act 2011 requirement to adopt a Code of Conduct also applies to all Parish Councils. Most Parish Councils in the Maidstone area have adopted a similar Code of Conduct to the Borough Council, based on a Kent wide model. A few Parish Councils have adopted their own particular Code.
- 2.3 Under the Localism Act 2011 Maidstone Borough Council is responsible for dealing with any complaints made under the various Codes of Conduct within its borough.
- 2.4 Pursuant to the Council's Constitution, oversight of Code of Conduct complaints falls within the remit of the Audit, Governance and Standards Committee.
- 2.5 In order to assist its oversight function, the Monitoring Officer provides reports on complaints to the Audit, Governance & Standards Committee. A summary of the Complaints received and disposed of for the period 1 March 2023 to 28 February 2024 is appended. As the Localism Act 2011 repealed the requirement to publish decision notices the names of the complainant and the Councillor complained about are both kept confidential in accordance with data protection legislation.
- 2.6 As requested by this Committee at its meeting on 28 September 2021, whilst personal data is kept confidential, the reasons that a Code of Conduct complaint had failed the preliminary tests is set out in the Appendix.

3. AVAILABLE OPTIONS

- 3.1 The Committee could decide that they no longer wish to receive the updates on complaints under the Code of Conduct. This is not recommended as it is part of the Committee’s general oversight function.
 - 3.2 That the Committee note the update on complaints received under the Members’ Code of Conduct.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 3.2 that the Committee note the update on complaints received under the Members’ Code of Conduct is recommended as it is important that the Committee continue to oversee the complaints received.
-

5. RISK

- 5.1 This report is presented for information only and has no risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the Audit, Governance & Standards Committee and the Independent Person will be consulted on individual complaints, as and when necessary, in accordance with the relevant complaints’ procedure.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 As the report is for information only, no further action will be taken.
-

8. REPORT APPENDICES

- 8.1 Appendix 1 – Table of complaints received for the period 1 March 2023 to 28 February 2024.
-

9. BACKGROUND PAPERS

None.

APPENDIX 1

| Date Complaint Received | Subject Member Capacity | | Subject Matter of Complaint | Detail of the Complaint | Final Decision |
|-------------------------|-------------------------|--------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | MBC Councillor | Parish | | | |
| Mar-23 | | 1 | <ul style="list-style-type: none"> * Compromising Integrity * Disrepute * Improperly confer an advantage | The subject member made bullying and defamatory statements about the complainant. | <p>Complaint failed the following local assessment criteria:</p> <p>1.4(d) - The complaint is malicious, trivial, politically motivated or 'tit-for-tat'. 1.4(e) - The Complainant is unreasonably persistent, malicious and/or vexatious. 1.4(h) - The alleged misconduct took place so long ago that the complaint should not be pursued.</p> |
| Mar-23 | | 1 | <ul style="list-style-type: none"> * Disrepute * Improperly confer an advantage | During a meeting, the subject member was heard making derogatory comments towards the complainant in relation to parish procedure. | <p>Complaint failed the following legal jurisdiction test:</p> <p>1.2(f) - The complaint is about dissatisfaction with the Borough or Parish Council's decisions, policies and priorities</p> |
| Apr-23 | | 1 | <ul style="list-style-type: none"> * Misuse of Council resources * Bullying * Compromising Integrity * Disclose confidential information * Disrepute | Allegations made in relation to running of the Parish Council's social media | <p>Complaint failed the following local assessment criteria:</p> <p>1.4(c) - No or insufficient information/evidence to substantiate the complaint has been submitted by the complainant.</p> |
| Sep-23 | | 1 | <ul style="list-style-type: none"> * Bullying * Compromising Integrity * Disclose confidential information * Disrepute * Intimidation | Allegation that an email sent by the Clerk was libellous. | <p>Complaint failed the following legal jurisdiction tests:</p> <p>1.2(c) – was the person complained of acting in an official capacity at the time of the alleged conduct; and 1.2(f) – the complaint is about dissatisfaction with the Parish Council's decisions, policies and priorities etc.</p> <p>The MO does not have the remit to consider complaints against council officers. Recommended that complaint be submitted to the Deputy Clerk , who should then consider the complaint in accordance with the Parish Council's complaints procedure.</p> |
| Dec-23 | | 1 | <ul style="list-style-type: none"> * Bullying * Disrepute | Complainant alleged that subject member was rude to another councillor at a parish meeting. | <p>Complaint failed the following local assessment criteria:</p> <p>1.4(c) No or insufficient information/evidence to substantiate the complaint has been submitted by the Complainant; and 1.4(f) The complaint is relatively minor and dealing with the complaint would have a disproportionate effect on both public money and officers' and Members' time;</p> |
| Feb-24 | | 4 | <ul style="list-style-type: none"> *Bullying * Compromising Integrity * Disrepute * Intimidation | All four complaints concerned a particular meeting of the Council and various emails that followed. | <p>Complaint failed the following legal jurisdiction test:</p> <p>1.2(f) - The complaint is about dissatisfaction with the Borough or Parish Council's decisions, policies and priorities.</p> <p>Complaint also failed the following local assessment criteria:</p> <p>1.4(i) - The complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter, e.g. where there is no firm evidence on the matter;</p> |

Agenda Item 12

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

11 April 2024

Revised Member's Code of Conduct and Arrangements for Dealing with Councillor Conduct Complaints

| Timetable | |
|-------------------------------------------|---------------|
| Meeting | Date |
| Audit, Governance and Standards Committee | 11 April 2024 |
| Democracy and General Purposes Committee | 19 June 2024 |
| Council | 17 July 2024 |

| | |
|---------------------------------------|-------------------------------------------|
| Will this be a Key Decision? | No |
| Urgency | Not Applicable |
| Final Decision-Maker | AUDIT, GOVERNANCE AND STANDARDS COMMITTEE |
| Lead Head of Service | Russell Fitzpatrick, Monitoring Officer |
| Lead Officer and Report Author | Russell Fitzpatrick, Monitoring Officer |
| Classification | Public |
| Wards affected | All |

Executive Summary

This report provides an update on a review of Local Government Ethical Standards and in accordance with that review proposes various changes to Maidstone Borough Council's Member's Code of Conduct and arrangements for dealing with Councillor conduct complaints, which form part of the Council's Constitution. This update includes the consultation exercise carried out with the Kent Association of Local Councils.

Purpose of Report

Recommendation to Council

This report makes the following recommendation to the Committee:

THAT

1. The proposed update to the Member Code of Conduct at Appendix 4 to this Report, be noted.
 2. The proposed update to the arrangements for dealing with councillor conduct complaints at Appendix 4 to the 15 January 2024 Officer Report, be noted.
 3. The Democracy & General Purposes Committee recommend to Council that the Constitution be updated to include the Member Code of Conduct at Appendix 4 to this Report, and the arrangements for dealing with councillor conduct complaints at Appendix 4 to the 15 January 2024 Officer Report.
 4. The Council be recommended to adopt the Member Code of Conduct at Appendix 4 to this Report, and the arrangements for dealing with councillor conduct complaints at Appendix 4 to the 15 January 2024 Officer Report.
 5. The Monitoring Officer in consultation with the Chair of the Committee be authorised to effect editorial amends prior to a Report being submitted to the Democracy & General Purposes Committee.
-

Revised Member's Code of Conduct and Arrangements for Dealing with Councillor Conduct Complaints

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> | Monitoring Officer |
| 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>We do not expect the recommendations will by themselves materially affect achievement of the cross-cutting objectives</p> | Monitoring Officer |
| Risk Management | <p>The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed accordingly.</p> | Monitoring Officer |
| Financial | No implications identified. | Monitoring Officer |
| Staffing | We will deliver the recommendations with our current staffing. | Monitoring Officer |
| Legal | It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in | Monitoring Officer |

| | | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------|
| | Public Life. The extant Members' Code of Conduct adopted 2012 can be found within Part D (Codes) of the Council's Constitution. Pursuant to s. 28(5) of the Localism Act 2011 the Council may revise its existing code of conduct adopt a code of conduct to replace its existing code of conduct. | |
| Information Governance | The recommendations will impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes. The Information Governance Team have reviewed the processing of personal data affected and the associated documentation has been updated accordingly. | Monitoring Officer |
| Equalities | The recommendations do not propose a change in service therefore will not require an equalities impact assessment. | Monitoring Officer |
| Public Health | No implications identified. | Monitoring Officer |
| Crime and Disorder | There are no implications to Crime and Disorder | Monitoring Officer |
| Procurement | No implications identified. | Monitoring Officer |
| Biodiversity and Climate Change | There are no implications on biodiversity and climate change. | Monitoring Officer |

2. INTRODUCTION AND BACKGROUND

- 2.1 On 15 January 2024 this Committee considered the attached report and appendices (at Appendix 1) and resolved (at Appendix 2) "*That consideration of the item be deferred to the next meeting, to allow the Kent Association of Local Councils had been consulted on the proposed code*".
- 2.2 On 24 January 2024 the Kent Association of Local Councils (KALC) were consulted on the proposed revisions to the proposed amends to Maidstone Borough Council Code of Conduct.
- 2.3 KALC's response (at Appendix 3) was received by email on 6 March 2023. The email included two attachments:
- 2.3.1 A track-changed version of the Code of Conduct titled "Code of Conduct – Jan 24 – amended – mark up," highlighting proposed amendments as track changes;
- 2.3.2 a 'clean' non-track changed version of the Code of Conduct.

For ease of reference, we have simply attached the track-changed version.

- 2.4 The Monitoring Officer has considered the suggestions provided by KALC. As a result, additional amendments are proposed, presented in Appendix 4 alongside Appendix 3 of the Officer Report dated January 15, 2024. These proposed amendments have been visually highlighted in yellow for clarity.
- 2.5 Stylistic amendments aimed at enhancing clarity or addressing specific concerns have been accepted. Amendments tailored to Parish Councils, which do not directly pertain to the regulation of Maidstone Borough Council members, have not been universally adopted but remain open for consideration by the respective Parish Councils. Amends which do not align with the existing legal framework have not been accepted.
- 2.6 This report serves to encapsulate the proceedings and outcomes of the Committee's deliberations on the proposed revisions to the Maidstone Borough Council Code of Conduct, inclusive of the consultation with KALC and subsequent amendments proposed by the Monitoring Officer.

3. AVAILABLE OPTIONS

- 3.1 The Committee has the following options available:
 - 3.1.1 **Option 1:** To recommend to Council that the proposed amendments to the Council's Member's Code of Conduct (at Appendix 4 to this Report) and the arrangements for dealing with councillor conduct complaints (at Appendix 4 to the 15 January 2024 Officer Report) be adopted and the Constitution updated accordingly. This option is recommended on the basis that members are familiar with this layout of the code, the changes to be considered are not extensive. This is also the preferred option so as to provide consistency with other Kent authorities.
 - 3.1.2 **Option 2:** To recommend to Council that the amends proposed by KALC to the Council's Member's Code of Conduct (at Appendix 3 to this Report) and the arrangements for dealing with councillor conduct complaints (at Appendix 4 to the 15 January 2024 Officer Report) be adopted and the Constitution updated accordingly. Stylistic amends aside, this option is not recommended as some of the amends are Parish Council specific and this would create interpretational issues for breaches of the Code of Conduct by Maidstone Borough Council Members and would not align with the regulatory framework.
 - 3.1.3 **Option 3:** To recommend to Council that alternative proposed amendments to the Member's Code of Conduct and arrangements for dealing with councillor conduct complaints be adopted and the Constitution updated accordingly. The Localism Act 2011 provides local authorities with the freedom to create their own Code of Conduct and arrangements for dealing with councillor conduct complaints, so it is open to the Audit, Governance and Standards Committee to make alternative proposed amendments having considered the various reports, government responses and LGA

guidance. This is not a recommended course of action as the Council could inadvertently create a “third” Code of Conduct in circumstances where various options have already been considered and assessed extensively by both the LGA and separately by the Kent Secretaries group.

- 3.1.4 **Option 4:** To recommend to Council to adopt the LGA Model Code of Conduct (at Appendix 2 to the 15 January 2024 Officer Report). This option is not recommended as the Monitoring Officer on review of the existing code considers that the majority of the points set out in the LGA Model Code are captured in the Kent Code. The LGA will continuously review the model code and the Monitoring Officer (and Kent Secretaries group) will in turn continuously review the changes and update members to determine whether further changes need to be made to the local code. The majority of the LGA Model Code has been incorporated within a code that Councillors are au fait with.
- 3.1.5 **Option 5:** Do nothing and make no changes to the existing Maidstone Code of Conduct so the Member’s Code of Conduct and arrangements for dealing with Councillor conduct complaints remain as they are currently. This option would run counter to the recommendations of the Committee in Standards in Public Life whose intention was to strengthen the position regarding ethical standards.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 1 is the recommended option as this would reflect most of the LGA’s proposals and the CSPL’s best practice recommendations for local authorities and also reflects the recommendations of the Kent Secretaries group. Furthermore, Members are familiar with this layout of the code, the changes to be considered are not extensive and this is consistent with the position of the principal authority.

5. RISK

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council’s Risk Management Framework. We are satisfied that the risks associated are within the Council’s risk appetite and will be managed accordingly.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The consultation on the LGA Model Code of Conduct was presented to and noted by Audit, Governance and Standards Committee on 29 July 2020 where the contents of the then LGA Model Code of Conduct were noted.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The recommendations of the Audit, Governance and Standards Committee will be put to Full Council. The Democracy & General Purposes Committee will be consulted on Appendix 4 to this report and Appendix 4 to the 15 January 2024 Officer report prior to Full Council's consideration given the constitutional changes that would be required to give effect to this Committee's recommendation.
-

8. REPORT APPENDICES

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

1. Appendix 1: Officer Report of 15 January 2024 to this Committee with the following appendices:
 - 1.1. Appendix 1: Summary of Highlights of CSPL Report & Government Response
 - 1.2. Appendix 2: LGA Model Councillor Code of Conduct (December 2020 as updated on 19 January and 17 May 2021)
 - 1.3. Appendix 3: Proposed updated Maidstone Borough Council Member's Code of Conduct
 - 1.4. Appendix 4: Proposed updated Maidstone Arrangements for dealing with councillor conduct complaints
 2. Appendix 2: The minutes of this Committee's meeting of 15 January 2024
 3. Appendix 3: Kent Association of Local Councils (KALC) email of 6 March 2023 together with one attachment titled "Code of Conduct – Jan 24 – amended – mark up," highlighting proposed amendments as track changes;
 4. Appendix 4: Further proposed amends (highlighted in yellow) to the Member Code of Conduct.
-

9. BACKGROUND PAPERS

None

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

15 January 2024

Revised Member’s Code of Conduct and Arrangements for dealing with councillor conduct complaints

| Timetable | |
|-------------------------------------------|------------------|
| Meeting | Date |
| Audit, Governance and Standards Committee | 15 January 2024 |
| Democracy and General Purposes Committee | 31 January 2024 |
| Council | 21 February 2024 |

| | |
|---------------------------------------|-------------------------------------------|
| Will this be a Key Decision? | No |
| Urgency | Not Applicable |
| Final Decision-Maker | AUDIT, GOVERNANCE AND STANDARDS COMMITTEE |
| Lead Head of Service | Russell Fitzpatrick, Monitoring Officer |
| Lead Officer and Report Author | Russell Fitzpatrick, Monitoring Officer |
| Classification | Public |
| Wards affected | All |

Executive Summary

This report provides an update on a review of Local Government Ethical Standards and in accordance with that review proposes various changes to Maidstone Borough Council’s Member’s Code of Conduct and arrangements for dealing with Councillor conduct complaints, which form part of the Council’s Constitution.

Purpose of Report

Recommendation to Council

This report makes the following recommendation to the Committee:

THAT

1. The proposed update to the Member Code of Conduct at Appendix 3, be noted.
 2. The proposed update to the arrangements for dealing with councillor conduct complaints at Appendix 4, be noted.
 3. The Democracy & General Purposes Committee recommend to Council that the Constitution be updated to include the Member Code of Conduct at Appendix 3, and the arrangements for dealing with councillor conduct complaints at Appendix 4.
 4. The Council be recommended to adopt the Member Code of Conduct at Appendix 3, and the arrangements for dealing with councillor conduct complaints at Appendix 4.
-

Revised Member's Code of Conduct and Arrangements for dealing with councillor conduct complaints

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> | Monitoring Officer |
| 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>We do not expect the recommendations will by themselves materially affect achievement of the cross-cutting objectives</p> | Monitoring Officer |
| Risk Management | <p>The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed accordingly.</p> | Monitoring Officer |
| Financial | No implications identified. | Monitoring Officer |
| Staffing | We will deliver the recommendations with our current staffing. | Monitoring Officer |
| Legal | It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in | Monitoring Officer |

| | | |
|----------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------|
| | Public Life. The extant Members' Code of Conduct adopted 2012 can be found within Part D (Codes) of the Council's Constitution. Pursuant to s. 28(5) of the Localism Act 2011 the Council may revise its existing code of conduct adopt a code of conduct to replace its existing code of conduct. | |
| Information Governance | The recommendations will impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes. The Information Governance Team have reviewed the processing of personal data affected and the associated documentation has been updated accordingly. | Information Governance Team |
| Equalities | The recommendations do not propose a change in service therefore will not require an equalities impact assessment. | Monitoring Officer |
| Public Health | No implications identified. | Monitoring Officer |
| Crime and Disorder | There are no implications to Crime and Disorder | Monitoring Officer |
| Procurement | No implications identified. | Monitoring Officer |
| Biodiversity and Climate Change | There are no implications on biodiversity and climate change. | Monitoring Officer |

2. INTRODUCTION AND BACKGROUND

- 3.1 Pursuant to section 27 of the Localism Act 2011, all Councils are under a statutory duty to promote and maintain high standards of conduct by members and co-opted members of the authority. In discharging this duty, the Council "*must, in particular, adopt a code dealing with the conduct that is expected of members and co-opted members of the authority when they are acting in that capacity*". The council's Code of Conduct, when viewed as a whole, must be consistent with the seven principles of public life of selflessness, integrity, objectivity, accountability, openness, honesty, and leadership (known as "the Nolan Principles"). In addition, the Code must include provision for the registration and disclosure of pecuniary interests and other relevant interests. There is no mandatory Code of Conduct.
- 3.2 Maidstone Borough Council (**the Council**) adopted its current Code of Conduct on 5 July 2012 (**the extant Maidstone Code of Conduct**). The extant Maidstone Code of Conduct is contained within the Maidstone Borough Council's Constitution at Part D1 (Members' Code of Conduct) with the arrangements for dealing with Councillor conduct complaints being contained

in Part D2 (Code Complaints) and associated Appendices. This code of conduct is based on the Kent County Council Code, a practice which is considered good practice to promote consistency for the authorities.

- 3.3 On 30 January 2019, the Committee on Standards in Public Life (**CSPL**) produced a report on Local Government Ethical Standards. The report found that there was considerable variation in the length, quality, and clarity in local authority Codes of Conduct. A link to the full report has been provided in the Background Papers (**CSPL January 2019 Report**). A summary of the highlights of the Report and the Government's response is attached as Appendix 1. It is important to note that notwithstanding the issues raised by the CSPL, the only recommendation from CSPL effectively taken forward by the government was the model Code of Conduct recommendation.
- 3.4 To this end, the CSPL recommended that the Local Government Association (**LGA**) should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government. At its meeting on 29 July 2020, this Committee noted a report on the Consultation on the LGA Draft Model Code of Conduct Code. In December 2020, the LGA issued the "Local Government Association Model Councillor Code of Conduct 2020". This was updated on 19 January and 17 May 2021. A link to the Model Code is provided below and is also attached at Appendix 2:

<https://www.local.gov.uk/publications/local-government-association-model-councillor-code-conduct-2020>

The LGA subsequently published "Guidance on the Local Government Association Model Councillor Code of Conduct" in July 2021. The LGA also published a "Guidance on Member Model Code of Conduct Complaints Handling" in September 2021. Links to these guidance documents are provided in the Background Papers.

- 3.5 The Government's response to the CSPL January 2019 Report was finally published in March 2022. A summary of the Government's response is included in Appendix 1. The full response can be accessed via the link contained in the Background Papers.
- 3.6 The Kent Secretaries Group, a forum for Heads of Legal Services and Monitoring Officers across Kent, set up an officer's working group to review all the reports and guidance documents referred to above. MKLS was represented on that group. This resulted in the production of a recommended Kent Member's Code of Conduct and arrangements for dealing with councillor conduct complaints (**the Kent Code**). This has the advantage in seeking to ensure (so far as possible) a consistent approach to Code of Conduct complaints across Kent. This also assists dual hatted members to ensure that they can work within the same/similar Code of Conduct framework and assist Monitoring Officers and Independent Persons to try, so far as possible, to adopt a consistent approach to dealing with Code of Conduct complaints. As various Heads of Legal and Monitoring Officers across the County had input into the Kent Code, any issues arising for one authority can be raised within the Kent Secretaries group and solutions sought to amend the code to ensure (so far as possible) consistency and lead to further improvements. Ultimately

it is for each authority to adopt their own Code of Conduct and arrangements for dealing with complaints.

3.7 That said, the Kent Secretaries group adopted the majority of the LGA's Model Code of Conduct save for the following provisions:

3.7.1 some of the introductory and explanatory paragraphs as these were considered to be verbose, and

3.7.2 the civility/respect provisions. This was included in a previous Model Code but later removed due to concerns that the definition of "disrespectful" was subjective and resulted at the time in an increase in the number of petty complaints. There was concern expressed that this would be repeated, and the Kent Secretaries group considered it would suffice for this aspect to be covered by the existing sections of the Code relating to bullying and harassment and bringing the Council into disrepute.

This approach has been approved by Kent County Council's Standards Committee.

3.8 The proposed changes to the Maidstone Code of Conduct and arrangements for dealing with code of conduct complaints have been informed by the work of the Kent Secretaries Group. The amendments proposed by the Kent Model Code of Conduct and arrangements have been incorporated as track changes to the extant Maidstone Code of Conduct at Appendix 3 (Code of Conduct) and Appendix 4 (Arrangements for dealing with councillor conduct complaints).

3.9 With specific reference to the Code of Conduct, save for formatting issues (which are not shown as track changes), by way of summary, the proposed principal changes to the extant Maidstone Code of Conduct are:

3.9.1 Part D1. Paragraph 1, sub-paragraph 1.1 "Associated Person" - The words "or body" have been added, these were not included in the code but have been incorporated in other codes and therefore to ensure consistency this has been suggested as being incorporated into the code by Kent Secretaries Group.

3.9.2 Part D1. Paragraph 2, sub-paragraph 2.1- Additional wording has been included to reference social media. The LGA Model Code recommended including a long list of different types of communication and interaction. The form of words suggested here is simpler and reduces the risk of an unintended gap due to the list missing something. The current Code was adopted prior to the rapid growth in social media and this section recognises this.

3.9.3 Part D1. Paragraph 3, sub-paragraph 3.2.1 - This has been expanded to include reference to "harassment" and provide definitions as to what constitutes "bullying" and "harassment".

3.9.4 Part D1. Paragraph 3, sub-paragraph 3.2.5 - This section provides a direct cross-reference between the sections in the Constitution

referring to information that is classified as exempt in Committee papers.

- 3.9.5 Part D1. Paragraph 3, sub-paragraph 3.3 – A new section has been suggested to include training. The LGA Model Code recommended including a requirement to undertake Code of Conduct training. Rather than mandate it, the approach taken here is to establish the principle that not undertaking training cannot be used as an excuse for breaching the Code.
 - 3.9.6 Part D1. Paragraph 3, sub-paragraph 3.4 – A new section has been added to promote cooperation by members subject to a Code of Conduct complaint. The LGA Model Code recommended including a requirement to cooperate with any investigation and/or subsequent determination.
- 3.10 The arrangements for dealing with councillor conduct complaints contained at Appendix 4 is procedural in nature and reflects cumulative Monitoring Officer/Head of Legal Services experience.
-

3. AVAILABLE OPTIONS

3.1 The Committee has the following options available:

- 3.1.1 **Option 1:** To recommend to Council that the proposed amendments to the Member's Code of Conduct (at Appendix 3) and arrangements for dealing with councillor conduct complaints (at Appendix 4) be adopted and the Constitution updated accordingly. This option is recommended on the basis that members are familiar with this layout of the code, the changes to be considered are not extensive and this is consistent with the position of the principal authority. This is also the preferred option so as to provide consistency with other Kent authorities.
- 3.1.2 **Option 2:** To recommend to Council that alternative proposed amendments to the Member's Code of Conduct and arrangements for dealing with councillor conduct complaints be adopted and the Constitution updated accordingly. The Localism Act 2011 provides local authorities with the freedom to create their own Code of Conduct and arrangements for dealing with councillor conduct complaints, so it is open to the Audit, Governance and Standards Committee to make alternative proposed amendments having considered the various reports, government responses and LGA guidance. This is not a recommended course of action as the Council could inadvertently create a "third" Code of Conduct in circumstances where various options have already been considered and assessed extensively by both the LGA and separately by the Kent Secretaries group.
- 3.1.3 **Option 3:** To recommend to Council to adopt the LGA Model Code of Conduct (at Appendix 2). This option is not recommended as the Monitoring Officer on review of the existing code considers that the majority of the points set out in the LGA Model Code are captured in the Kent Code. The LGA will continuously review the model code and the Monitoring Officer (and Kent Secretaries group) will in turn continuously review the changes and

update members to determine whether further changes need to be made to the local code. The majority of the LGA Model Code has been incorporated within a code that Councillors are au fait with.

- 3.1.4 **Option 4:** Do nothing and make no changes to the existing Maidstone Code of Conduct so the Member's Code of Conduct and arrangements for dealing with Councillor conduct complaints remain as they are currently. This option would run counter to the recommendations of the Committee in Standards in Public Life whose intention was to strengthen the position regarding ethical standards.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 1 is the recommended option as this would reflect most of the LGA's proposals and the CSPL's best practice recommendations for local authorities and also reflects the recommendations of the Kent Secretaries group. Furthermore, Members are familiar with this layout of the code, the changes to be considered are not extensive and this is consistent with the position of the principal authority.
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5. RISK

- 5.1 The risks associated with this proposal, including the risks if the Council does not act as recommended, have been considered in line with the Council's Risk Management Framework. We are satisfied that the risks associated are within the Council's risk appetite and will be managed accordingly.
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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 The consultation on the LGA Model Code of Conduct was presented to and noted by Audit, Governance and Standards Committee on 29 July 2020 where the contents of the then LGA Model Code of Conduct were noted.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The recommendations of the Audit, Governance and Standards Committee will be put to Full Council. The Democracy & General Purposes Committee will be consulted on Appendices 3 and 4 prior to Full Council's consideration given the constitutional changes that would be required to give effect to this Committee's recommendation.
-

8. REPORT APPENDICES

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

- Appendix 1: Summary of Highlights of CSPL Report & Government Response
 - Appendix 2: LGA Model Councillor Code of Conduct (December 2020 as updated on 19 January and 17 May 2021)
 - Appendix 3: Proposed updated Maidstone Borough Council Member's Code of Conduct
 - Appendix 4: Proposed updated Maidstone Arrangements for dealing with councillor conduct complaints
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9. BACKGROUND PAPERS

- 9.1 [Committee on Standards in Public Life - Local Government Ethical Standards - A Review by the Committee on Standards in Public Life \(30 January 2019\)](#)
- 9.2 [Guidance on LGA Model Councillor Code of Conduct \(July 2021\)](#)
- 9.3 [Guidance on Member Model Code of Conduct Complaints Handling \(September 2021\)](#)
- 9.4 [Local government ethical standards: government response to the Committee on Standards in Public Life report \(March 2022\)](#)

APPENDIX 1 TO REPORT

Committee on Standards in Public Life – Review of Local Government Ethical Standards (January 2019)

&

Government Response (March 2022)

Highlights and recommendations

This summary is comprised of 3 sections:

- A) highlights of the review,
- B) recommendations to Government and other responsible bodies to bring about change and
- C) best practice recommendations to local authorities.

A. Highlights of the review

1. This is the 20th report of the Committee and was not prompted by any specific allegations of misconduct, but to assure the committee that the current framework, particularly since the Localism Act 2011, is conducive to promoting and maintaining the standards expected by the public.
2. The following paragraphs provide a summary of the findings and an overview of discussions on particular areas including Code of Conduct, Independent Persons, sanctions, register of interests and parish councils.
3. The findings are summarised below:
 - a. The vast majority of councillors and officers want to maintain the highest standards of conduct.
 - b. A minority of councillors engage in bullying or harassment, or other highly disruptive behaviour.
 - c. A small number of parish councils give rise to a disproportionate number of complaints about poor behaviour.
 - d. Concerns arose about a risk to standards under the current arrangements, as a result of the current rules around declaring interests, gifts and hospitality, and the increased complexity of local government decision-making.
 - e. Whilst the consistency and independence of the system could be enhanced, there is no reason to reintroduce a centralised body, and that local authorities should retain ultimate responsibility for implementing and applying the Seven Principles of Public Life in local government.
 - f. The Committee have made a number of recommendations to government and identified best practice to improve ethical standards in local government. This includes recommendations that a number of

changes should be made to primary legislation, which would be subject to Parliamentary timetabling.

- g. The Committee will review the implementation by local authorities of the best practice recommendations in 2020.

4. Code of Conduct:

- a. Local Authorities are currently required to have in place a code of conduct of their choosing which outlines the behaviour required of councillors. There is considerable variation in the length, quality and clarity of codes of conduct creating confusion among the public and councillors. Many codes of conduct fail to address adequately important areas of behaviour such as social media use and bullying and harassment. An updated model code of conduct should therefore be available to local authorities to enhance the consistency and quality of local authority codes.
- b. There are benefits to local authorities being able to amend and have ownership of their own codes of conduct so the updated model code should be voluntary and able to be adapted by local authorities. The scope of the code of conduct should also be widened, with a rebuttable presumption that a councillor's public behaviour, including comments made on publicly accessible social media, is in their official capacity.
- c. Several new provisions are recommended to be included in the new model code of conduct:
 - i. Cllrs must not participate in a discussion or vote in a matter at a meeting if they have **any** interest, whether registered or not, "*if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter*".
 - ii. prohibitions on bullying and harassment, including a definition of bullying and harassment (plus list of examples of the sort of behaviour covered).
 - iii. Councillors must comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.
- d. Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source.
- e. The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.
- f. The Code of Conduct should be reviewed annually and council should seek the views of the public, community organisations and neighbouring authorities.
- g. The Code of Conduct should be readily accessible – in prominent position on website and available in council offices.

- h. Straightforward and accessible guidance on how to make a complaint, the process for handling complaints and estimated timescales for investigations and outcomes should be on website.

5. **Register of Interests:** The following recommendations were made regarding Register of Interests:

- a. Cllrs should not be required to register their home address.
- b. Cllrs should register unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.
- c. Publish gifts and hospitality register at least quarterly and in an accessible format.

6. **Independent Persons (IP):**

- a. IP should be consulted on whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations the MO is minded to dismiss as being without merit, vexatious, or trivial.
- b. Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed.
- c. IPs to be appointed for two year fixed term, renewable once.
- d. The view of the IP in relation to a decision on which they are consulted should be published in any formal decision notice.

7. **Sanctions**

- a. The current sanctions available to local authorities are insufficient which damages public confidence in the standards system and leaves local authorities with no means of enforcing lower level sanctions, nor of addressing serious or repeated misconduct.
- b. Local authorities should be given the power to suspend councillors, without allowances, for up to six months **but** only where the IP agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.
- c. Government to clarify (and legislate if necessary) whether councils may lawfully bar councillors from council premises or withdraw facilities as sanctions.
- d. Councillors (including parish Cllrs) should be given the right to appeal to the LGO if suspended (but not for lesser sanctions). The LGO should be given the power to investigate and decide upon an allegation

of a code of conduct breach and the appropriate sanction - including the ability to overturn the suspension. The Ombudsman's decision to be binding on the local authority.

- e. After a decision has been made on an allegation of misconduct, should publish a decision notice asap on website - including brief statement of facts, the provisions of the code engaged by the allegations, the view of the IP, the reasoning of the decision-maker and any sanction applied.
- f. Requirement to publish annual report on number of complaints, what they relate to, outcomes and any sanctions applied.
- g. The current criminal offences relating to Disclosable Pecuniary Interests are disproportionate in principle and ineffective in practice, and should be abolished.

8. Parish Councils:

- a. Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.
- b. Parish Councils should be required to adopt the code of conduct of their principal authority and a principal authority's decision on sanctions for a parish councillor should be binding.
- c. Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.
- d. Complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.

9. Miscellaneous

- a. The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.
- b. Councils should report, as part of their annual governance statement, on separate bodies they have set up or which they own, and give a full picture of their relationship with those bodies.
- c. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.

B. Recommendations

This section sets out the full list of recommendations. The responsible body for the majority of these recommendations is central government.

1. The Local Government Association should create an updated model code of conduct, in consultation with representative bodies of councillors and officers of all tiers of local government

Government Response (GR) – The Local Government Association published the updated Code of Conduct in January 2021 however, it remains a local decision on whether this model code is adopted (Localism Act 2011).

2. The government should ensure that candidates standing for or accepting public offices are not required publicly to disclose their home address. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to clarify that a councillor does not need to register their home address on an authority's register of interests.

GR – The Government agrees with the principle behind this recommendation – which safeguards elected representatives – and considers amending the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 would be an option to achieve it. The Government will engage with interested parties on the best means to ensure that candidates and councillors are not required publicly to disclose their home address.

3. Councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly-accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.

GR – The Government's view is that it is for individual local authorities to consider if their code of conduct is adequate in addressing the issue of inappropriate use of social media. It is important to recognise that there is a boundary between an elected representative's public life and their private or personal life. Automatically presuming (irrespective of the context and circumstances) that any comment is in an official capacity risks conflating the two.

4. Section 27(2) of the Localism Act 2011 should be amended to state that a local authority's code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority.

GR – The LGA's Model Code of Conduct provides the following suggested wording on this matter: the code applies when "[a member's] actions could give the impression to a reasonable member of the public with knowledge of all the facts they [they] are acting as a [member]".

It is for individual local authorities to ensure that their codes of conduct are regularly updated and elected members receive the necessary training to make them aware of their personal responsibilities in upholding the code.

The Government has no immediate plans to amend the regulations.

5. The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012 should be amended to include: unpaid directorships; trusteeships; management roles in a charity or a body of a public nature; and membership of any organisations that seek to influence opinion or public policy.

GR – The government has no immediate plans to amend the regulations. Unpaid roles need to be declared if it is relevant to council business and recuse themselves if appropriate. Councillors have a right to a private life and be involved in local organisations outside of their role as councillors.

6. Local authorities should be required to establish a register of gifts and hospitality, with councillors required to record any gifts and hospitality received over a value of £50, or totalling £100 over a year from a single source. This requirement should be included in an updated model code of conduct.

GR - The LGA's Model Code of Conduct provided for members to record any gifts or hospitality with an estimated value of at least £50 but contained nothing re a cumulative amount.

Local authorities have the autonomy to set the requirements in their own codes of conduct. The Government accepts there is merit in best practice guidance on the thresholds for gifts and hospitality and agrees that the register should be publicly available.

7. Section 31 of the Localism Act 2011 should be repealed, and replaced with a requirement that councils include in their code of conduct that a councillor must not participate in a discussion or vote in a matter to be considered at a meeting if they have any interest, whether registered or not, "if a member of the public, with knowledge of the relevant facts, would reasonably regard the interest as so significant that it is likely to prejudice your consideration or decision-making in relation to that matter".

GR – No immediate plans to repeal s31 Localism Act 2011. The principle of integrity requires that any such interests should be declared and resolved.

8. The Localism Act 2011 should be amended to require that Independent Persons are appointed for a fixed term of two years, renewable once.

GR – This would be unworkable and was not accepted. In practice most local authorities would find this rate of turnover unachievable.

9. The Local Government Transparency Code should be updated to provide that the view of the Independent Person in relation to a decision on which they are consulted should be formally recorded in any decision notice or minutes.

GR – The Government does not agree with this. The Transparency Code is a statutory requirement to publish information, it does not regulate the content of council's minutes or decision notices. It should not be necessary to publish details of an unfounded complaint.

10. A local authority should only be able to suspend a councillor where the authority's Independent Person agrees both with the finding of a breach and that suspending the councillor would be a proportionate sanction.

GR – These proposals would effectively reinstate the previous flawed regime which allowed politically motivated and vexatious complaints and it was a deliberate policy decision to differentiate from the previous regime and have no provision for a sanction to suspend a councillor.

The government will engage with all tiers of local government to seek views on options to strengthen sanctions to address breaches of the code which fall below the bar of criminal activity.

This response also applies to recommendations 12, 13, 14 and 16.

11. Local authorities should provide legal indemnity to Independent Persons if their views or advice are disclosed. The government should require this through secondary legislation if needed.

GR – The government endorses this as local authority best practice but sees no need to amend secondary legislation.

12. Local authorities should be given the discretionary power to establish a decision-making standards committee with voting independent members and voting members from dependent parishes, to decide on allegations and impose sanctions.

GR – See 10 above.

13. Councillors should be given the right to appeal to the Local Government Ombudsman if their local authority imposes a period of suspension for breaching the code of conduct.

GR – see 10 above.

14. The Local Government Ombudsman should be given the power to investigate and decide upon an allegation of a code of conduct breach by a councillor, and the appropriate sanction, on appeal by a councillor who has had a suspension imposed. The Ombudsman's decision should be binding on the local authority.

GR – see 10 above.

15. The Local Government Transparency Code should be updated to require councils to publish annually: the number of code of conduct complaints they receive; what the complaints broadly relate to (e.g. bullying; conflict of interest); the outcome of those complaints, including if they are rejected as trivial or vexatious; and any sanctions applied.

GR – This is better addressed through a best practice of an annual report of the cases and complaints handled and there is no need to prescribe the form and content of such reports.

16. Local authorities should be given the power to suspend councillors, without allowances, for up to six months.

GR - See 10 above.

17. The government should clarify if councils may lawfully bar councillors from council premises or withdraw facilities as sanctions. These powers should be put beyond doubt in legislation if necessary.

GR – The criminal law, overseen by the police and courts, provides for more appropriate and effective action against breaches of public order, for anti-social behaviour, and against harassment. The government will consider this further.

18. The criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished.

GR – It is a criminal offence to fail to declare pecuniary interests, which acts as a strong deterrent against corruption. The high bar of police involvement has served to discourage politically motivated and unfounded complaints. The Govt does not therefore agree with this recommendation.

19. Parish council clerks should hold an appropriate qualification, such as those provided by the Society of Local Council Clerks.

GR – There was no comment re this recommendation within the Government's response.

20. Section 27(3) of the Localism Act 2011 should be amended to state that parish councils must adopt the code of conduct of their principal authority, with the necessary amendments, or the new model code.

GR – The government does not agree and has no plans to repeal s27(3) Localism Act 2011. It is a matter for local determination.

21. Section 28(11) of the Localism Act 2011 should be amended to state that any sanction imposed on a parish councillor following the finding of a breach is to be determined by the relevant principal authority.

GR – There are no current plans to repeal s28(11) Localism Act 2011 but the govt will give this matter further consideration.

22. The Local Authorities (Standing Orders) (England) (Amendment) Regulations 2015 should be amended to provide that disciplinary protections for statutory officers extend to all disciplinary action, not just dismissal.

GR – the government will engage with sector representative bodies of all tiers of local government to seek views on amending the Local Authorities (Standing Orders) (England) (Amendment) Regulations to provide disciplinary protections for statutory officers.

23. The Local Government Transparency Code should be updated to provide that local authorities must ensure that their whistleblowing policy specifies a named contact for the external auditor alongside their contact details, which should be available on the authority's website.

GR – Most local authorities already publish their whistleblowing policy, procedure and a named contact on their websites

24. Councillors should be listed as ‘prescribed persons’ for the purposes of the Public Interest Disclosure Act 1998.

Prescribed persons are individuals or organisations that a worker may approach outside their workplace to report suspected or known wrongdoing and still be protected by the rights afforded to them under whistleblowing legislation. Local councillors would not meet the criteria of being external to an individual’s workplace in relation to matters affecting the council and could therefore not be considered as a ‘prescribed person’ for the purposes of the Public Interest Disclosure Act 1998. However, the govt is open to further representations on the matter on how local accountability can be strengthened in this regard.

25. Councillors should be required to attend formal induction training by their political groups. National parties should add such a requirement to their model group rules.
26. Local Government Association corporate peer reviews should also include consideration of a local authority’s processes for maintaining ethical standards.

C. Best Practice Recommendations for local authorities

This section sets out the best practice recommendations that are directed to local authorities. The Committee expects local authorities to fully implement them and intends to review the implementation of these in 2020.

1. Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.
2. Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation, and prohibiting trivial or malicious allegations by councillors.
3. Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.
4. An authority’s code should be readily accessible to both councillors and the public, in a prominent position on a council’s website and available in council premises.
5. Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

6. Councils should publish a clear and straightforward public interest test against which allegations are filtered.
7. Local authorities should have access to at least two Independent Persons.
8. An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.
9. Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.
10. A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.
11. Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council as a whole, rather than the clerk in all but exceptional circumstances.
12. Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.
13. A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.
14. Councils should report on separate bodies they have set up or which they own as part of their annual governance statement, and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness, and publish their board agendas and minutes and annual reports in an accessible place.
15. Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.



Local Government Association

Model Councillor Code of Conduct 2020

Joint statement

The role of councillor across all tiers of local government is a vital part of our country's system of democracy. It is important that as councillors we can be held accountable and all adopt the behaviors and responsibilities associated with the role. Our conduct as an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to. We also want individuals from a range of backgrounds and circumstances to be putting themselves forward to become councillors.

As councillors, we represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent our local area, taking decisions fairly, openly, and transparently. We have both an individual and collective responsibility to meet these expectations by maintaining high standards and demonstrating good conduct, and by challenging behaviour which falls below expectations.

Importantly, we should be able to undertake our role as a councillor without being intimidated, abused, bullied, or threatened by anyone, including the general public.

This Code has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Introduction

The Local Government Association (LGA) has developed this Model Councillor Code of Conduct, in association with key partners and after extensive consultation with the sector, as part of its work on supporting all tiers of local government to continue to aspire to high standards of leadership and performance. It is a template for councils to adopt in whole and/or with local amendments.

All councils are required to have a local Councillor Code of Conduct.

The LGA will undertake an annual review of this Code to ensure it continues to be fit-for-purpose, incorporating advances in technology, social media and changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code and the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

Definitions

For the purposes of this Code of Conduct, a “councillor” means a member or co-opted member of a local authority or a directly elected mayor. A “co-opted member” is defined in the Localism Act 2011 Section 27(4) as “a person who is not a member of the authority but who

- a) is a member of any committee or sub-committee of the authority, or;
- b) is a member of, and represents the authority on, any joint committee or joint sub-committee of the authority;

and who is entitled to vote on any question that falls to be decided at any meeting of that committee or sub-committee”.

For the purposes of this Code of Conduct, “local authority” includes county councils, district councils, London borough councils, parish councils, town councils, fire and rescue authorities, police authorities, joint authorities, economic prosperity boards, combined authorities and National Park authorities.

Purpose of the Code of Conduct

The purpose of this Code of Conduct is to assist you, as a councillor, in modelling the behaviour that is expected of you, to provide a personal check and balance, and to set out the type of conduct that could lead to action being taken against you. It is also to protect you, the public, fellow councillors, local authority officers and the reputation of local government. It sets out general principles of conduct expected of all councillors and your specific obligations in relation to standards of conduct. The LGA encourages the use of support, training and mediation prior to action being taken using the Code. The fundamental aim of the Code is to create and maintain public confidence in the role of councillor and local government.

General principles of councillor conduct

Everyone in public office at all levels; all who serve the public or deliver public services, including ministers, civil servants, councillors and local authority officers; should uphold the [Seven Principles of Public Life](#), also known as the Nolan Principles.

Building on these principles, the following general principles have been developed specifically for the role of councillor.

In accordance with the public trust placed in me, on all occasions:

- I act with integrity and honesty
- I act lawfully
- I treat all persons fairly and with respect; and
- I lead by example and act in a way that secures public confidence in the role of councillor.

In undertaking my role:

- I impartially exercise my responsibilities in the interests of the local community
- I do not improperly seek to confer an advantage, or disadvantage, on any person
- I avoid conflicts of interest
- I exercise reasonable care and diligence; and
- I ensure that public resources are used prudently in accordance with my local authority's requirements and in the public interest.

Application of the Code of Conduct

This Code of Conduct applies to you as soon as you sign your declaration of acceptance of the office of councillor or attend your first meeting as a co-opted member and continues to apply to you until you cease to be a councillor.

This Code of Conduct applies to you when you are acting in your capacity as a councillor which may include when:

- you misuse your position as a councillor
- Your actions would give the impression to a reasonable member of the public with knowledge of all the facts that you are acting as a councillor;

The Code applies to all forms of communication and interaction, including:

- at face-to-face meetings
- at online or telephone meetings
- in written communication
- in verbal communication
- in non-verbal communication
- in electronic and social media communication, posts, statements and comments.

You are also expected to uphold high standards of conduct and show leadership at all times when acting as a councillor.

Your Monitoring Officer has statutory responsibility for the implementation of the Code of Conduct, and you are encouraged to seek advice from your Monitoring Officer on any matters that may relate to the Code of Conduct. Town and parish councillors are encouraged to seek advice from their Clerk, who may refer matters to the Monitoring

Officer.

Standards of councillor conduct

This section sets out your obligations, which are the minimum standards of conduct required of you as a councillor. Should your conduct fall short of these standards, a complaint may be made against you, which may result in action being taken.

Guidance is included to help explain the reasons for the obligations and how they should be followed.

General Conduct

1. Respect

As a councillor:

1.1 I treat other councillors and members of the public with respect.

1.2 I treat local authority employees, employees and representatives of partner organisations and those volunteering for the local authority with respect and respect the role they play.

Respect means politeness and courtesy in behaviour, speech, and in the written word. Debate and having different views are all part of a healthy democracy. As a councillor, you can express, challenge, criticise and disagree with views, ideas, opinions and policies in a robust but civil manner. You should not, however, subject individuals, groups of people or organisations to personal attack.

In your contact with the public, you should treat them politely and courteously. Rude and offensive behaviour lowers the public's expectations and confidence in councillors.

In return, you have a right to expect respectful behaviour from the public. If members of the public are being abusive, intimidatory or threatening you are entitled to stop any conversation or interaction in person or online and report them to the local authority, the relevant social media provider or the police. This also applies to fellow councillors, where action could then be taken under the Councillor Code of Conduct, and local authority employees, where concerns should be raised in line with the local authority's councillor-officer protocol.

2. Bullying, harassment and discrimination

As a councillor:

2.1 I do not bully any person.

2.2 I do not harass any person.

2.3 I promote equalities and do not discriminate unlawfully against any person.

The Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Bullying might be a regular pattern of behaviour or a one-off incident, happen face-to-face, on social media, in emails or phone calls, happen in the workplace or at work social events and may not always be obvious or noticed by others.

The Protection from Harassment Act 1997 defines harassment as conduct that causes alarm or distress or puts people in fear of violence and must involve such conduct on at least two occasions. It can include repeated attempts to impose unwanted communications and

contact upon a person in a manner that could be expected to cause distress or fear in any reasonable person.

Unlawful discrimination is where someone is treated unfairly because of a protected characteristic. Protected characteristics are specific aspects of a person's identity defined by the Equality Act 2010. They are age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race, religion or belief, sex and sexual orientation.

The Equality Act 2010 places specific duties on local authorities. Councillors have a central role to play in ensuring that equality issues are integral to the local authority's performance and strategic aims, and that there is a strong vision and public commitment to equality across public services.

3. Impartiality of officers of the council

As a councillor:

3.1 I do not compromise, or attempt to compromise, the impartiality of anyone who works for, or on behalf of, the local authority.

Officers work for the local authority as a whole and must be politically neutral (unless they are political assistants). They should not be coerced or persuaded to act in a way that would undermine their neutrality. You can question officers in order to understand, for example, their reasons for proposing to act in a particular way, or the content of a report that they have written. However, you must not try and force them to act differently, change their advice, or alter the content of that report, if doing so would prejudice their professional integrity.

4. Confidentiality and access to information

As a councillor:

4.1 I do not disclose information:

- a. given to me in confidence by anyone**
- b. acquired by me which I believe, or ought reasonably to be aware, is of a confidential nature, unless**
 - i. I have received the consent of a person authorised to give it;**
 - ii. I am required by law to do so;**
 - iii. the disclosure is made to a third party for the purpose of obtaining professional legal advice provided that the third party agrees not to disclose the information to any other person; or**
 - iv. the disclosure is:**
 - 1. reasonable and in the public interest; and**
 - 2. made in good faith and in compliance with the reasonable requirements of the local authority; and**
 - 3. I have consulted the Monitoring Officer prior to its release.**

4.2 I do not improperly use knowledge gained solely as a result of my role as a councillor for the advancement of myself, my friends, my family members, my employer or my business interests.

4.3 I do not prevent anyone from getting information that they are entitled to by law.

Local authorities must work openly and transparently, and their proceedings and printed materials are open to the public, except in certain legally defined circumstances. You should work on this basis, but there will be times when it is required by law that discussions, documents and other information relating to or held by the local authority must be treated in a confidential manner. Examples include personal data relating to individuals or information relating to ongoing negotiations.

5. Disrepute

As a councillor:

5.1 I do not bring my role or local authority into disrepute.

As a Councillor, you are trusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on you, other councillors and/or your local authority and may lower the public's confidence in you or your local authority's ability to discharge your/its functions. For example, behaviour that is considered dishonest and/or deceitful can bring your local authority into disrepute.

You are able to hold the local authority and fellow councillors to account and are able to constructively challenge and express concern about decisions and processes undertaken by the council whilst continuing to adhere to other aspects of this Code of Conduct.

6. Use of position

As a councillor:

6.1 I do not use, or attempt to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the local authority provides you with certain opportunities, responsibilities, and privileges, and you make choices all the time that will impact others. However, you should not take advantage of these opportunities to further your own or others' private interests or to disadvantage anyone unfairly.

7. Use of local authority resources and facilities

As a councillor:

7.1 I do not misuse council resources.

7.2 I will, when using the resources of the local authority or authorising their use by others:

- a. act in accordance with the local authority's requirements; and**
- b. ensure that such resources are not used for political purposes unless that use could reasonably be regarded as likely to facilitate, or be conducive to, the discharge of the functions of the local authority or of the office to which I have been elected or appointed.**

You may be provided with resources and facilities by the local authority to assist you in carrying out your duties as a councillor.

Examples include:

- office support
- stationery
- equipment such as phones, and computers
- transport

- access and use of local authority buildings and rooms.

These are given to you to help you carry out your role as a councillor more effectively and are not to be used for business or personal gain. They should be used in accordance with the purpose for which they have been provided and the local authority's own policies regarding their use.

8. Complying with the Code of Conduct

As a Councillor:

8.1 I undertake Code of Conduct training provided by my local authority.

8.2 I cooperate with any Code of Conduct investigation and/or determination.

8.3 I do not intimidate or attempt to intimidate any person who is likely to be involved with the administration of any investigation or proceedings.

8.4 I comply with any sanction imposed on me following a finding that I have breached the Code of Conduct.

It is extremely important for you as a councillor to demonstrate high standards, for you to have your actions open to scrutiny and for you not to undermine public trust in the local authority or its governance. If you do not understand or are concerned about the local authority's processes in handling a complaint you should raise this with your Monitoring Officer.

Protecting your reputation and the reputation of the local authority

9. Interests

As a councillor:

9.1 I register and disclose my interests.

Section 29 of the Localism Act 2011 requires the Monitoring Officer to establish and maintain a register of interests of members of the authority .

You need to register your interests so that the public, local authority employees and fellow councillors know which of your interests might give rise to a conflict of interest. The register is a public document that can be consulted when (or before) an issue arises. The register also protects you by allowing you to demonstrate openness and a willingness to be held accountable. You are personally responsible for deciding whether or not you should disclose an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise. It is also important that the public know about any interest that might have to be disclosed by you or other councillors when making or taking part in decisions, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained.

You should note that failure to register or disclose a disclosable pecuniary interest as set out in **Table 1**, is a criminal offence under the Localism Act 2011.

Appendix B sets out the detailed provisions on registering and disclosing interests. If in doubt, you should always seek advice from your Monitoring Officer.

10. Gifts and hospitality

As a councillor:

- 10.1 I do not accept gifts or hospitality, irrespective of estimated value, which could give rise to real or substantive personal gain or a reasonable suspicion of influence on my part to show favour from persons seeking to acquire, develop or do business with the local authority or from persons who may apply to the local authority for any permission, licence or other significant advantage.**

- 10.2 I register with the Monitoring Officer any gift or hospitality with an estimated value of at least £50 within 28 days of its receipt.**

- 10.3 I register with the Monitoring Officer any significant gift or hospitality that I have been offered but have refused to accept.**

In order to protect your position and the reputation of the local authority, you should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you because you are a councillor. The presumption should always be not to accept significant gifts or hospitality. However, there may be times when such a refusal may be difficult if it is seen as rudeness in which case you could accept it but must ensure it is publicly registered. However, you do not need to register gifts and hospitality which are not related to your role as a councillor, such as Christmas gifts from your friends and family. It is also important to note that it is appropriate to accept normal expenses and hospitality associated with your duties as a councillor. If you are unsure, do contact your Monitoring Officer for guidance.

Appendices

Appendix A – The Seven Principles of Public Life

The principles are:

Selflessness

Holders of public office should act solely in terms of the public interest.

Integrity

Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must disclose and resolve any interests and relationships.

Objectivity

Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

Accountability

Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

Openness

Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

Honesty

Holders of public office should be truthful.

Leadership

Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

Appendix B Registering interests

Within 28 days of becoming a member or your re-election or re-appointment to office you must register with the Monitoring Officer the interests which fall within the categories set out in **Table 1 (Disclosable Pecuniary Interests)** which are as described in “The Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012”. You should also register details of your other personal interests which fall within the categories set out in **Table 2 (Other Registerable Interests)**.

“**Disclosable Pecuniary Interest**” means an interest of yourself, or of your partner if you are aware of your partner's interest, within the descriptions set out in Table 1 below.

“**Partner**” means a spouse or civil partner, or a person with whom you are living as husband or wife, or a person with whom you are living as if you are civil partners.

1. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest, or of any change to a registered interest, notify the Monitoring Officer.
2. A ‘sensitive interest’ is as an interest which, if disclosed, could lead to the councillor, or a person connected with the councillor, being subject to violence or intimidation.
3. Where you have a ‘sensitive interest’ you must notify the Monitoring Officer with the reasons why you believe it is a sensitive interest. If the Monitoring Officer agrees they will withhold the interest from the public register.

Non participation in case of disclosable pecuniary interest

4. Where a matter arises at a meeting which directly relates to one of your Disclosable Pecuniary Interests as set out in **Table 1**, you must disclose the interest, not participate in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest, just that you have an interest. Dispensation may be granted in limited circumstances, to enable you to participate and vote on a matter in which you have a disclosable pecuniary interest.
5. [Where you have a disclosable pecuniary interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

Disclosure of Other Registerable Interests

6. Where a matter arises at a meeting which **directly relates** to the financial interest or wellbeing of one of your Other Registerable Interests (as set out in **Table 2**), you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a ‘sensitive interest’, you do not have to disclose the nature of the interest.

Disclosure of Non-Registerable Interests

7. Where a matter arises at a meeting which **directly relates** to your financial interest or well-being (and is not a Disclosable Pecuniary Interest set out in Table 1) or a financial interest or well-being of a relative or close associate, you must disclose the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to disclose the nature of the interest.
8. Where a matter arises at a meeting which **affects** –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a relative or close associate; or
 - c. a financial interest or wellbeing of a body included under Other Registerable Interests as set out in **Table 2**

you must disclose the interest. In order to determine whether you can remain in the meeting after disclosing your interest the following test should be applied

9. Where a matter (referred to in paragraph 8 above) **affects** the financial interest or well-being:
 - a. to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and;
 - b. a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest

You may speak on the matter only if members of the public are also allowed to speak at the meeting. Otherwise you must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation.

If it is a 'sensitive interest', you do not have to disclose the nature of the interest.

10. [Where you have an Other Registerable Interest or Non-Registerable Interest on a matter to be considered or is being considered by you as a Cabinet member in exercise of your executive function, you must notify the Monitoring Officer of the interest and must not take any steps or further steps in the matter apart from arranging for someone else to deal with it]

Table 1: Disclosable Pecuniary Interests

This table sets out the explanation of Disclosable Pecuniary Interests as set out in the [Relevant Authorities \(Disclosable Pecuniary Interests\) Regulations 2012](#).

| Subject | Description |
|----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employment, office, trade, profession or vocation | Any employment, office, trade, profession or vocation carried on for profit or gain. |
| Sponsorship | Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992. |
| Contracts | Any contract made between the councillor or his/her spouse or civil partner or the person with whom the |

| | |
|----------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council —</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p> |
| Land and Property | <p>Any beneficial interest in land which is within the area of the council.</p> <p>‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.</p> |
| Licenses | <p>Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer</p> |
| Corporate tenancies | <p>Any tenancy where (to the councillor’s knowledge)—</p> <p>(a) the landlord is the council; and</p> <p>(b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.</p> |
| Securities | <p>Any beneficial interest in securities* of a body where—</p> <p>(a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and</p> <p>(b) either—</p> <p>(i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were</p> |

| | |
|--|--------------------------------------------------------------------------------------------------------------------------|
| | spouses/civil partners have a beneficial interest exceeds one hundredth of the total issued share capital of that class. |
|--|--------------------------------------------------------------------------------------------------------------------------|

* 'director' includes a member of the committee of management of an industrial and provident society.

* 'securities' means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

Table 2: Other Registrable Interests

You must register as an Other Registrable Interest :

- a) any unpaid directorships
- b) any body of which you are a member or are in a position of general control or management and to which you are nominated or appointed by your authority
- c) any body
 - (i) exercising functions of a public nature
 - (ii) directed to charitable purposes or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)

of which you are a member or in a position of general control or management

Appendix C – the Committee on Standards in Public Life

The LGA has undertaken this review whilst the Government continues to consider the recommendations made by the Committee on Standards in Public Life in their report on [Local Government Ethical Standards](#). If the Government chooses to implement any of the recommendations, this could require a change to this Code.

The recommendations cover:

- Recommendations for changes to the Localism Act 2011 to clarify in law when the Code of Conduct applies
- The introduction of sanctions
- An appeals process through the Local Government Ombudsman
- Changes to the Relevant Authorities (Disclosable Pecuniary Interests) Regulations 2012
- Updates to the Local Government Transparency Code
- Changes to the role and responsibilities of the Independent Person
- That the criminal offences in the Localism Act 2011 relating to Disclosable Pecuniary Interests should be abolished

The Local Government Ethical Standards report also includes Best Practice recommendations. These are:

Best practice 1: Local authorities should include prohibitions on bullying and harassment in codes of conduct. These should include a definition of bullying and harassment, supplemented with a list of examples of the sort of behaviour covered by such a definition.

Best practice 2: Councils should include provisions in their code of conduct requiring councillors to comply with any formal standards investigation and prohibiting trivial or malicious allegations by councillors.

Best practice 3: Principal authorities should review their code of conduct each year and regularly seek, where possible, the views of the public, community organisations and neighbouring authorities.

Best practice 4: An authority's code should be readily accessible to both councillors and the public, in a prominent position on a council's website and available in council premises.

Best practice 5: Local authorities should update their gifts and hospitality register at least once per quarter, and publish it in an accessible format, such as CSV.

Best practice 6: Councils should publish a clear and straightforward public interest test against which allegations are filtered.

Best practice 7: Local authorities should have access to at least two Independent Persons.

Best practice 8: An Independent Person should be consulted as to whether to undertake a formal investigation on an allegation, and should be given the option to

review and comment on allegations which the responsible officer is minded to dismiss as being without merit, vexatious, or trivial.

Best practice 9: Where a local authority makes a decision on an allegation of misconduct following a formal investigation, a decision notice should be published as soon as possible on its website, including a brief statement of facts, the provisions of the code engaged by the allegations, the view of the Independent Person, the reasoning of the decision-maker, and any sanction applied.

Best practice 10: A local authority should have straightforward and accessible guidance on its website on how to make a complaint under the code of conduct, the process for handling complaints, and estimated timescales for investigations and outcomes.

Best practice 11: Formal standards complaints about the conduct of a parish councillor towards a clerk should be made by the chair or by the parish council, rather than the clerk in all but exceptional circumstances.

Best practice 12: Monitoring Officers' roles should include providing advice, support and management of investigations and adjudications on alleged breaches to parish councils within the remit of the principal authority. They should be provided with adequate training, corporate support and resources to undertake this work.

Best practice 13: A local authority should have procedures in place to address any conflicts of interest when undertaking a standards investigation. Possible steps should include asking the Monitoring Officer from a different authority to undertake the investigation.

Best practice 14: Councils should report on separate bodies they have set up or which they own as part of their annual governance statement and give a full picture of their relationship with those bodies. Separate bodies created by local authorities should abide by the Nolan principle of openness and publish their board agendas and minutes and annual reports in an accessible place.

Best practice 15: Senior officers should meet regularly with political group leaders or group whips to discuss standards issues.

The LGA has committed to reviewing the Code on an annual basis to ensure it is still fit for purpose.

D1. MEMBERS' CODE OF CONDUCT

PREAMBLE

- (A) The Code of Conduct that follows is adopted under section 27(2) of the Localism Act 2011.
- (B) The Code is based on the Seven Principles of Public Life under section 28(1) of the Localism Act 2011, which are set out in Annex 1.
- (C) This Preamble and Annex 1 do not form part of the Code, but you should have regard to them as they will help you to comply with the Code.
- (D) If you need guidance on any matter under the Code, you should seek it from the Monitoring Officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.
- (E) In accordance with section 34 of the Localism Act 2011, where you have a Disclosable Pecuniary Interest it is a criminal offence if, without reasonable excuse, you:
 - (a) Fail to notify the Authority's Monitoring Officer of the interest before the end of 28 days beginning with the day on which you became a Member.
 - (b) Fail to disclose the interest at Meetings where the interest is not entered in the Authority's register.
 - (c) Fail to notify the Authority's Monitoring Officer of the interest before the end of 28 days beginning with the date of disclosure at a meeting, if the interest is not entered in the Authority's register and is not the subject of a pending notification.
 - (d) Take part in discussion or votes, or further discussions or votes, at Meetings on matters in which you have the interest which are being considered at the meeting.
 - (e) Fail to notify the Authority's Monitoring Officer of the interest before the end of 28 days beginning with the date when you

become aware that you have such an interest in a matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority.

- (f) Take any step in relation to a matter being dealt with by you acting alone in the course of discharging a function of the Authority, except a step for the purpose of enabling the matter to be dealt with otherwise than by you.
 - (g) Knowingly or recklessly provide false or misleading information in any of the above disclosures or notifications.
- (F) Any written allegation received by the Authority that you have failed to comply with the Code will be dealt with under the arrangements adopted by the Authority for such purposes. If it is found that you have failed to comply with the Code, the Authority may have regard to this failure in deciding whether to take action and, if so, what action to take in relation to you.

THE CODE

1. Interpretation

1.1. In this Code:

“Associated Person” means (either in the singular or in the plural):

- (a) a family member or any other person or body with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or
- (d) any body of which you are in a position of general control or

management and to which you are appointed or nominated by the Authority; or

- (e) any body in respect of which you are in a position of general control or management:
 - (i) exercising functions of a public nature; or
 - (ii) directed to charitable purposes; or
 - (iii) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union).

“Authority” means Maidstone Borough Council.

“Authority Function” means any one or more of the following interests that relate to the functions of the Authority:

- (a) housing - where you are a tenant of the Authority provided that those functions do not relate particularly to your tenancy or lease; or
- (b) school meals or school transport and travelling expenses - where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which your child attends; [or](#)
- (c) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - where you are in receipt of, or are entitled to the receipt of, such pay; [or](#)
- (d) an allowance, payment or indemnity given to Members of the Authority; [or](#)
- (e) any ceremonial honour given to Members of the Authority; [or](#)
- (f) setting council tax or a precept under the Local Government Finance Act 1992.

“Code” means this Code of Conduct.

“Co-opted Member” means a person who is not an elected Member of

the Authority but who is a member of:

- (a) any Committee or Sub-Committee of the Authority, or
- (b) and represents the Authority on, any joint committee or joint sub-committee of the Authority; and
- (c) who is entitled to vote on any question that falls to be decided at any Meeting.

"Disclosable Pecuniary Interest" means those interests of a description specified in regulations made by the Secretary of State (as amended from time to time) as set out in Annex 2 and where either it is:

- (a) your interest; or
- (b) an interest of your spouse or civil partner, a person with whom you are living as husband and wife, or a person with whom you are living as if you were civil partners and provided you are aware that the other person has the interest.

"Interests" means Disclosable Pecuniary Interests and Other Significant Interests.

"Meeting" means any meeting of:

- (a) the Authority;
- (b) any of the Authority's committees, sub-committees, joint committees and/or joint sub-committees.

"Member" means a person who is an elected Member of the Authority and includes a Co-opted Member.

"Other Significant Interest" means an interest (other than a Disclosable Pecuniary Interest or an interest in an Authority Function) in any business of the Authority which:

- (a) may reasonably be regarded as affecting the financial position of yourself and/or an Associated Person to a greater extent than the majority of: -
 - (i) other council tax payers, ratepayers or inhabitants of the

electoral division or ward, as the case may be, affected by the decision; or

(ii) (in other cases) other council tax payers, ratepayers or inhabitants of the Authority's area; or

(b) relates to the determination of your application (whether made by you alone or jointly or on your behalf) for any approval, consent, licence, permission or registration or that of an Associated Person;

and where, in either case, a member of the public with knowledge of the relevant facts would reasonably regard the interest as being so significant that it is likely to prejudice your judgement of the public interest.

"Register of Members' Interests" means the Authority's register of Disclosable Pecuniary Interests established and maintained by the Monitoring Officer under section 29 of the Localism Act 2011.

"Sensitive Interest" means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

2. Scope

2.1. You must comply with this Code whenever you act in your capacity as a Member or Co-opted Member of the Authority.

2.2. [This Code applies to all forms of communication and interaction including social media.](#)

3. General Obligations

3.1. You must, when using or authorising the use by others of the resources of the Authority:

3.1.1. act in accordance with the Authority's reasonable requirements;
and

3.1.2. ensure that such resources are not used improperly for political

purposes (including party political purposes).

3.2. You must not:

- 3.2.1. [bully any person or carry out any act of harassment. For the purposes of this paragraph bullying and harassment shall be construed as follows:-](#)
- (a) [the Advisory, Conciliation and Arbitration Service \(ACAS\) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Their website contains examples;](#)
 - (b) [harassment will have the meaning set out in The Protection from Harassment Act 1997 and other relevant legislation.](#)
- 3.2.2. intimidate or attempt to intimidate any person who is or is likely to be a complainant, a witness, or involved in the administration of any investigation or proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with this Code;
- 3.2.3. do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority;
- 3.2.4. disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:
- (a) you have the written consent of a person authorised to give it; or
 - (b) you are required by law to do so; or
 - (c) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees not to disclose the information to any other person; or

- (d) the disclosure is
 - (i) reasonable and in the public interest; and
 - (ii) made in good faith and in compliance with the reasonable requirements of the Authority;
- 3.2.5. [disclose information which is exempt information within the meaning of Part VA Local Government Act 1972 or The Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012;](#)
- 3.2.6. prevent another person from gaining access to information to which that person is entitled by law;
- 3.2.7. conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute;
- 3.2.8. use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.
- 3.3 [Where you have not undertaken training relating to conduct matters, you shall not be able to use this as a defence where a complaint has been made.](#)
- 3.4 [You must co-operate with any Code of Conduct investigation and/or determination.](#)

4. Registering Disclosable Pecuniary Interests

- 4.1.** You must, before the end of 28 days beginning with the day you become a Member or Co-opted Member of the Authority, or before the end of 28 days beginning with the day on which this Code takes effect (whichever is the later), notify the Monitoring Officer of any Disclosable Pecuniary Interest.
- 4.2.** In addition, you must, before the end of 28 days beginning with the day you become aware of any new Disclosable Pecuniary Interest or change to any interest already registered, register details of that new interest or change, by providing written notification to the Monitoring Officer.

- 4.3.** Where you have a Disclosable Pecuniary Interest in any matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority (including making a decision in relation to the matter), then if the interest is not registered in the Register of Members’ Interests and is not the subject of a pending notification, you must notify the Monitoring Officer before the end of 28 days beginning with the day you become aware of the existence of the interest.

5. Declaring Interests

- 5.1.** Whether or not a Disclosable Pecuniary Interest has been entered onto the Register of Members’ Interests or is the subject of a pending notification, you must comply with the disclosure procedures set out below.

- 5.2.** Where you are present at a meeting and have a Disclosable Pecuniary Interest or Other Significant Interest in any matter to be considered, or being considered, at the meeting, you must:

- 5.2.1. disclose the Interest; and
- 5.2.2. explain the nature of that Interest at the commencement of that consideration or when the Interest becomes apparent (subject to paragraph 6~~7~~ below); and unless you have been granted a dispensation or are acting under para 5(4):
- 5.2.3. not participate in any discussion of, or vote taken on, the matter at the Meeting; and
- 5.2.4. withdraw from the Meeting room in accordance with the Authority’s Procedure Rules whenever it becomes apparent that the business is being considered; and
- 5.2.5. not seek improperly to influence a decision about that business.

- 5.3.** Where you have a Disclosable Pecuniary Interest or Other Significant Interest in any business of the Authority where you are acting alone in the course of discharging a function of the Authority (including making an executive decision), you must:

- 5.3.1. notify the Monitoring Officer of the interest and its nature as soon as it becomes apparent; and
 - 5.3.2. not take any steps, or any further steps, in relation to the matter except for the purpose of enabling the matter to be dealt with otherwise than by you; and
 - 5.3.3. not seek improperly to influence a decision about the matter.
- 5.4.** Where you have an Other Significant Interest in any business of the Authority, you may attend a Meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the Meeting for the same purpose. Having made your representations, given evidence or answered questions you must:
 - 5.4.1. not participate in any discussion of, or vote taken on, the matter at the Meeting; and
 - 5.4.2. withdraw from the Meeting room in accordance with the Authority's Procedure Rules.
- 6. Sensitive Interests**
 - 6.1.** Where you consider that the information relating to any of your Disclosable Pecuniary Interests is a Sensitive Interest, and the Monitoring Officer agrees, the Monitoring Officer will not include details of the Sensitive Interest on any copies of the Register of Members' Interests which are made available for inspection or any published version of the Register, but may include a statement that you have an interest, the details of which are withheld under this paragraph.
 - 6.2.** You must, before the end of 28 days beginning with the day you become aware of any change of circumstances which means that information excluded under paragraph 6.1 is no longer a Sensitive Interest, notify the Monitoring Officer asking that the information be included in the Register of Members' Interests.
 - 6.3.** The rules relating to disclosure of Interests in paragraphs 5.2 and 5.3 will apply, save that you will not be required to disclose the nature of the

Sensitive Interest, but merely the fact that you hold an interest in the matter under discussion.

7. Gifts & Hospitality

7.1. You must, before the end of 28 days beginning with the day of receipt/acceptance, notify the Monitoring Officer of any gift, benefit or hospitality with an estimated value of £100 or more, or a series of gifts, benefits and hospitality from the same or an associated source, with an estimated cumulative value of £100 or more, which are received and accepted by you (in any one calendar year) in the conduct of the business of the Authority, the business of the office to which you have been elected or appointed or when you are acting as representative of the Authority. You must also register the source of the gift, benefit or hospitality.

7.2. Where any gift, benefit or hospitality you have received or accepted relates to any matter to be considered, or being considered at a Meeting, you must disclose at the commencement of the Meeting or when the interest becomes apparent, the existence and nature of the gift, benefit or hospitality, the person or body who gave it to you and how the business under consideration relates to that person or body. You may participate in the discussion of the matter and in any vote taken on the matter, unless you have an Other Significant Interest, in which case the procedure in paragraph 5 above will apply.

7.3. You must continue to disclose the existence and nature of the gift, benefit or hospitality at a relevant Meeting, for 3 years from the date you first registered the gift, benefit or hospitality

7.4. The duty to notify the Monitoring Officer does not apply where the gift, benefit or hospitality comes within any description approved by the Authority for this purpose.

8. Dispensation

8.1. [The Audit, Governance and Standards Committee, or any sub-committee of that Committee, or the Monitoring Officer \(where authorized\)](#) may, on a written request [made to the Monitoring Officer \(as appointed Proper Officer for the receipt of applications for dispensation\)](#) by a Member with

an Interest, grant a dispensation relieving the Member from either or both of the restrictions on participating in discussions and in voting (referred to in paragraph 5 above).

8.2. A dispensation may be granted only if, after having had regard to all relevant circumstances, [the Audit, Governance and Standards Committee, its sub-committee, or](#) the Monitoring Officer [where authorized](#)) considers that:

8.2.1. without the dispensation the number of persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business; or

8.2.2. without the dispensation, the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business; or

8.2.3. granting the dispensation is in the interests of persons living in the Authority's area; or

8.2.4. [without the dispensation each member of the Authority's executive would be prohibited from participating in any particular business to be transacted by the Authority's executive; or](#)

8.2.5. it is otherwise appropriate to grant a dispensation.

8.3. A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.

8.4. Paragraph 5 above does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph 8.

ANNEX 1**THE SEVEN PRINCIPLES OF PUBLIC LIFE*****Annex 1: Nolan Principle***

In accordance with the Localism Act 2011, and in order to help maintain public confidence in this Authority, you are committed to behaving in a manner that is consistent with the following principles. However, it should be noted that these Principles do not create statutory obligations for Members and do not form part of the Code. It follows from this that the Authority cannot accept allegations that they have been breached. [The definitions of the Principles are as below, or as set out on the website of the Committee on Standards in Public Life.](#)

SELFLESSNESS: Holders of public office should act solely in terms of the public interest.

INTEGRITY: Holders of public office must avoid placing themselves under any obligation to people or organisations ~~that might try inappropriately~~ to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

OBJECTIVITY: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

ACCOUNTABILITY: Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

OPENNESS: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

HONESTY: Holders of public office should be truthful.

LEADERSHIP: Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

ANNEX 2**DISCLOSABLE PECUNIARY INTERESTS****~~Annex 2+ Disclosable Pecuniary Interests~~**

Disclosable Pecuniary Interests, as prescribed by regulations, are as follows:

The descriptions on Disclosable Pecuniary Interests are subject to the following definitions:

“the Act” means the Localism Act 2011

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest

“director” includes a member of the committee of management of an industrial and provident society

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income

“M” means a Member of the relevant authority

“member” includes a co-opted member

“relevant authority” means the authority of which M is a Member

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1), or section 31(7), as the case may be, of the Act

“relevant person” means M or any other person referred to in section 30(3)(b) of the Act (the Member’s spouse, civil partner, or somebody with whom they are living as a husband or wife, or as if they were civil partners).

“securities” means shares, debentures, debenture stock, loan stock, bonds,

units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society

| Interest | Description |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employment, office, trade, profession or vocation | Any employment, office, trade, profession or vocation carried on for profit or gain. |
| Sponsorship | <p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p> |
| Contracts | <p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority:</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p> |
| Land | Any beneficial interest in land which is within the area of the relevant authority. |
| Licences | Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer. |

| Interest | Description |
|---------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate tenancies | <p>Any tenancy where (to M's knowledge):</p> <ul style="list-style-type: none"> (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest. |
| Securities | <p>Any beneficial interest in securities of a body where:</p> <ul style="list-style-type: none"> (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either <ul style="list-style-type: none"> (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class. |

D2. CODE COMPLAINTS

1. Context

1.1. These Arrangements are made under section 28 of the Localism Act 2011. They set out the process that Maidstone Borough Council has adopted for dealing with complaints that an elected Member or co-opted Member or Parish/Town Councillor or co-opted member has failed to comply with the Code of Conduct.

2. Interpretation

2.1. '**Borough Council**' means Maidstone Borough Council.

2.2. '**Code of Conduct**' means the Code of Conduct, which the Borough and Parish/Town Council have adopted under section 27(2) of the Localism Act 2011.

2.3. '**Complainant**' means a person who has submitted a complaint in accordance with these Arrangements alleging that a Subject Member has breached the Code of Conduct.

2.4. '**Disclosable Pecuniary Interest**' means those disclosable pecuniary interests that meet the definition prescribed by regulations (as amended from time to time) as set out in Annex 2 to the Members' Code of Conduct.

2.5. '**Hearing Panel**' means the panel appointed by the Borough Council to determine the outcome of any complaint alleging a breach of the Code of Conduct by a Subject Member in accordance with these Arrangements.

2.6. '**Independent Person**' means a person or persons appointed by the Borough Council under section 28(7) of the Localism Act 2011:

2.6.1. whose views are to ~~must~~ be sought and taken into account by the Borough Council before it makes its a decision ~~is made~~ on an allegation that it has decided to investigate and whose views may be sought by the Borough Council at any other stage ~~any complaint alleging a breach of the Code of Conduct by a Subject~~

~~Member;~~

2.6.2. who may be consulted by the Subject Member about the complaint.

2.7. 'Investigating Officer' means the person appointed by the Monitoring Officer to undertake a formal investigation of a complaint alleging a breach of the Code of Conduct by a Subject Member. The Investigating Officer may be another senior Officer of the [Borough Council](#), an Officer of another authority or an external investigator.

2.8. The **'Monitoring Officer'** is a senior Officer ~~appointed by~~ of the [Borough Council](#) who has statutory responsibility for maintaining the Register of Members' Interests and who is responsible for administering the arrangements for dealing with any complaint alleging a breach of the Code of Conduct by a Subject Member. It includes any other Officer ~~or other person of the Borough Council~~ nominated by the Monitoring Officer to act on their behalf.

2.9. '[Parish/Town Council](#)' means the relevant ~~p~~[Parish/Town](#) ~~c~~[Council](#) within the Borough of Maidstone.

2.10. 'Parties' means the Complainant, Subject Member and the Investigating Officer, as appropriate.

2.11. 'Subject Member' means an elected member or co-opted member of the Borough or [Parish/Town Council](#) against whom a complaint has been made alleging a breach of the Members' Code of Conduct.

3. Appointment of Independent Person

3.1. The [Borough Council](#) shall appoint the Independent Person (and any substitute) in accordance with the requirements of section 27 of the Localism Act 2011 upon such terms as to remuneration and expenses as may be determined by the Borough Council from time to time.

3.2. The Independent Person (and any substitute) shall be treated as if they were a Member of the Borough Council for the purposes of the Borough Council's arrangements for indemnifying and insuring its Members ~~and in respect of the receipt of allowances.~~

4. Making a complaint

4.1. A complaint alleging a breach of the Code of Conduct by a Subject Member must be made [either](#)

4.1.1. in writing and addressed to the Monitoring Officer using the Complaint Form [included within](#) ~~at the end of~~ Annex 1 to these Arrangements [or](#).

4.1.2. [via the Council's website using the on-line complaint form provided there.](#)

Complainants who find difficulty in making their complaint in writing (e.g. because of a disability), [should inform the Monitoring Officer of any such difficulty and the Monitoring Officer will arrange for assistance to be offered](#) ~~will be offered assistance.~~

4.2. The Subject Member will normally be informed of the identity of the Complainant and details of the complaint made against them, but the Complainant's identity and/or details of their complaint may be withheld at the Complainant's request if it appears to the Monitoring Officer that there are sound reasons for granting such a request (refer to paragraph 5 of Annex 1 to these Arrangements).

4.3. The Monitoring Officer will normally acknowledge receipt of a complaint within [15](#) working days of receiving it. At the same time (and subject to ~~paragraph~~ 4.2 above), the Monitoring Officer will send a copy of the complaint to the Subject Member in accordance with paragraph [12](#) of Annex 1 to these Arrangements.

5. Criminal conduct

5.1. In accordance with section 34 of the Localism Act 2011, it is a criminal offence if, without reasonable excuse, you:

5.1.1. fail to notify the Monitoring Officer of a Disclosable Pecuniary Interest before the end of 28 days beginning with the day you become, or are re-elected or re-appointed, a Member or Co-opted Member of the Authority;

5.1.2. fail to notify the Monitoring Officer of a Disclosable Pecuniary

Interest before the end of 28 days beginning with the day you become aware of it, where you are acting alone in the course of discharging a function of the Authority (including making a decision in relation to the matter) and the interest is not already registered or is not the subject of a pending notification to the Monitoring Officer;

- 5.1.3. fail to disclose a Disclosable Pecuniary Interest at a meeting, where such interest has not already been registered or notified to the Monitoring Officer;
- 5.1.4. fail to notify the Monitoring Officer of a Disclosable Pecuniary Interest before the end of 28 days beginning with the day you disclose it at a meeting, where such interest has not already been registered or notified to the Monitoring Officer;
- 5.1.5. take part in discussions or vote at meetings that relate to the Disclosable Pecuniary Interest, unless a dispensation has been granted;
- 5.1.6. knowingly or recklessly provide false or misleading information in any of the above disclosures or notifications.

5.2. Where a complaint against a Subject Member relates to conduct of a criminal nature referred to above, the Monitoring Officer will deal with the complaint in accordance with paragraph 4.4 of Annex 1 to these Arrangements.

6. Anonymous complaints

6.1. Complainants must provide their full name and address. An anonymous complaint will only be accepted by the Monitoring Officer, ~~in consultation with the Independent Person,~~ providing it is accompanied by corroborating evidence that indicates to the Monitoring Officer that it is in the public interest to accept the complaint. [The Monitoring Officer may consult the Independent Person.](#)

7. Role of Independent Person

The Independent Person must be consulted and have their views taken into account before the [Borough Council Authority](#) makes a finding as to

whether a Member has failed to comply with the Code or decides on action to be taken in respect of that Member. At any other stage of the complaints process under these Arrangements, the Independent Person may be consulted by the Monitoring Officer and/or the Subject Member.

8. Preliminary tests

8.1. The Monitoring Officer will, ~~in consultation with the Independent Person,~~ put the complaint through a number of preliminary tests, in accordance with paragraph ~~2~~¹ of Annex 1 to these Arrangements and may do so in consultation with the Independent Person.

8.2. In the event that the Independent Person is unavailable or unable to act, the time limits specified in paragraph ~~2~~¹ of Annex 1 may either be extended by the Monitoring Officer or the Monitoring Officer may act alone in taking the decision or action.

9. Informal resolution

9.1. The Monitoring Officer, ~~in consultation with the Independent Person,~~ may consider that the complaint can be resolved informally at any stage in accordance with paragraph 6 of Annex 1 to these Arrangements and may do so in consultation with the Independent Person.

10. Investigation

10.1. If the Monitoring Officer, ~~in consultation with the Independent Person,~~ decides that the complaint merits formal investigation, they will, normally within ~~1~~³⁰ working days of receiving it, appoint an Investigating Officer to undertake the investigation, and inform the Parties of the appointment.

10.2. The Investigating Officer will investigate the complaint in accordance with Annex 2 to these Arrangements.

11. Hearing

12. If the Monitoring Officer, in consultation with the Independent Person, considers that informal resolution is not appropriate or is unlikely to be achieved, then they will convene a meeting of the Hearing Panel to determine the outcome of the complaint in accordance with Annex 3 to

these Arrangements.

13. Sanctions

- 13.1.** Where a Subject Member has been found by the Hearing Panel to have breached the Code of Conduct, the Hearing Panel may apply any one or more sanctions in accordance with paragraph 124 of Annex 3 to these Arrangements.

14. Appeal

- 14.1.** There is no right of appeal for the Complainant or the Subject Member against decisions of either the Monitoring Officer or the Hearing Panel.

15. Discontinuance of Action

- 15.1.** In the event that the Subject Member has died, is seriously ill or has ceased to be an elected member or co-opted member of the Borough or Parish/Town Council the Monitoring Officer may determine to end the complaints process.

16. Revision of these Arrangements

- 16.1.** The Borough Council may by resolution agree to amend these Arrangements and has delegated to the Monitoring Officer and the Hearing Panel the right to depart from these Arrangements, where considered expedient to do so in order to secure the effective and fair consideration of any matter, ~~in accordance with the principles of natural justice.~~

Annexes

[Annex 1 - Procedure on Receipt of A Complaint](#)

[Annex 2 - Procedure For Investigating The Complaint](#)

[Annex 3 - Hearing Panel Procedure](#)

ANNEX 1:**PROCEDURE ON RECEIPT OF A COMPLAINT**

~~Para. **Annex 1: Procedure on receipt of a complaint**~~

- 1. Notification of Complaint to Subject Member**
 - 1.1.** Subject to any representations from the Complainant on confidentiality (see paragraph 5 below), the Monitoring Officer will notify the Subject Member and, if applicable, the Parish/Town Clerk of the complaint.
 - 1.2.** The Monitoring Officer may invite the Subject Member [and, if applicable, the Parish/Town Clerk] to submit initial views on the complaint, which will be taken into account by the Monitoring Officer when they decide how to deal with the complaint (see paragraph 4 below).
- 2. **Preliminary Tests****
 - 2.1.** The complaint will be assessed by the Monitoring Officer ~~in consultation with the Independent Person~~ against the legal jurisdiction test in paragraph ~~12.2~~ and, if applicable, the local assessment criteria test in paragraph ~~12.4~~ below. The Monitoring Officer may assess the complaint in consultation with the Independent Person.
 - 2.2.** Legal jurisdiction criteria test:
 - 2.2.1. Did the alleged conduct occur before the adoption of the Code of Conduct? If the answer to this is 'Yes' the test is failed.
 - 2.2.2. Was the person complained of a member of the Borough or Parish/Town Council at the time of the alleged conduct? If the answer to this is 'No' the test is failed.
 - 2.2.3. Was the person complained of acting in an official capacity at the time of the alleged conduct? If the answer to this is 'No' the test is failed.
 - 2.2.4. Did the alleged conduct occur when the person complained of

was acting as a member of another authority? If the answer to this is 'Yes' the test is failed.

- 2.2.5. If the facts could be established as a matter of evidence, could the alleged conduct be capable of supporting of a breach of the Code of Conduct? If the answer to this is 'No' the test is failed.
- 2.2.6. Is ~~the~~ complaint ~~is~~ about dissatisfaction with the Borough or Parish/Town Council's decisions, policies, ~~and~~ priorities, processes and governance etc.? If the answer to this is 'Yes' the test is failed and the matter should be raised by the complainant directly with the Borough or Parish/Town Council, via their general complaints process.

~~If the complaint fails one or more of the jurisdiction tests, no further action will be taken by the Monitoring Officer and the complaint will be rejected. The Complainant will be notified accordingly with reasons, within 10 working days of receipt of the complaint by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision.~~

2.3. Local assessment criteria test:

If the complaint satisfies the legal jurisdiction test, the Monitoring Officer will then apply the following local assessment criteria test:

- 2.3.1. The complaint is substantially the same as a complaint which has previously been made. ~~a 'repeat complaint', unless supported by new or further evidence substantiating or indicating that the complaint is exceptionally serious or significant;~~
- 2.3.2. The complaint is anonymous, unless the Monitoring Officer is of the view, on the basis of corroborating evidence that it is in the public interest to accept the complaint. The Monitoring Officer may consult the Independent Person. ~~supported by independent documentary evidence substantiating or indicating that the complaint is exceptionally serious or significant;~~
- 2.3.3. No or insufficient information/evidence to substantiate the complaint has been submitted by the Complainant;

- 2.3.4. The complaint is malicious or relatively minor, and, in the view of the Monitoring Officer, the public interest would not be served by taking further action., ~~trivial, politically motivated or 'tit for tat';~~
- 2.3.5. The Complainant is unreasonably persistent , ~~malicious~~ and/or vexatious .
- 2.3.6. The alleged misconduct happened more than 3 months prior to the submission of the complaint. ~~is relatively minor and dealing with the complaint would have a disproportionate effect on both public money and officers' and Members' time;~~
- 2.3.7. Dealing with the complaint would have a disproportionate effect on both public money and/or officers' and Members' time. ~~The circumstances have changed so much that there would be little benefit arising from an investigation or other action;~~
- 2.3.8. The circumstances have changed so much that there would be little benefit arising from an investigation or other action. ~~The complaint has been the subject of an investigation or other action and there is nothing more to be gained by further action being taken; or the alleged misconduct took place so long ago that the complaint should not be pursued;~~
- 2.3.9. The complaint has been the subject of an investigation or other action and there is nothing more to be gained by further action being taken
- 2.3.10. The complaint is such that it is unlikely that an investigation will be able to come to a firm conclusion on the matter, e.g. where there is no firm evidence on the matter;
- 2.3.11. The complaint is about a deceased person;
- 2.3.12. The complaint is about a person who is no longer a Borough or Parish/Town Councillor or Co-opted Member.
- 2.4.** If the complaint fails one or more of the jurisdiction tests ~~local assessment criteria applies to the complaint~~, no further action will be taken by the

Monitoring Officer and the complaint will be rejected. The Complainant will be notified accordingly with reasons, within ~~160~~ working days of receipt of the complaint by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision.

~~Notification of complaint to Subject Member~~

~~Subject to any representations from the Complainant on confidentiality (see paragraph 5 below), the Monitoring Officer will notify the Subject Member [and, if applicable, the Parish Clerk] of the complaint.~~

~~The Monitoring Officer may invite the Subject Member [and, if applicable, the Parish Clerk] to submit initial views on the complaint within 10 working days, which will be taken into account by the Monitoring Officer when they decide how to deal with the complaint (see paragraph 4 below). Views received from the Subject Member [and/or Parish Clerk] after the 10 working day time limit may be taken into account at the discretion of the Monitoring Officer, providing the views are received before the Monitoring Officer issues their written decision on how the complaint will be dealt with.~~

3. Asking for additional information

- 3.1.** The Monitoring Officer may ask the Complainant and the Subject Member [and, if applicable, the Parish/Town Clerk] for additional information before deciding how to deal with the complaint.

4. What process to apply - informal resolution or investigation and/or no action?

- 4.1.** The Monitoring Officer may at any stage seek to resolve the complaint informally in accordance with paragraph 6 below. Where the Subject Member or the Monitoring Officer or the Borough or Parish/Town Councillor make a reasonable offer of informal resolution, but the Complainant is not willing to accept this offer, the Monitoring Officer will take account of this in deciding whether the complaint merits formal investigation.

- 4.2.** The Monitoring Officer ~~in consultation with the Independent Person~~ may refer the complaint for investigation when:

- 4.2.1. It is serious enough, if proven, to justify the range of sanctions available to the Audit, Governance and Standards Committee (see paragraph [124](#) of Annex [3.4](#) to these Arrangements) ~~or~~;
- 4.2.2. The Subject Member's behaviour is part of a continuing pattern of less serious misconduct that is unreasonably disrupting the business of the Borough or Parish/[Town](#) Council and there is no other avenue left to deal with it short of investigation. In considering this, the Monitoring Officer may take into account the time that has passed since the alleged conduct occurred.
- 4.3.** Where the complaint is referred for investigation, the Monitoring Officer will appoint an Investigating Officer who will conduct the investigation in accordance with the procedure at Annex 3 to these Arrangements.
- 4.4.** If the complaint identifies potential criminal conduct or a potential breach of other regulations by the Subject Member or any other person, the Complainant ~~may~~ will be advised by the Monitoring Officer to report the complaint to the police or other prosecuting or regulatory authority. Alternatively, the Monitoring Officer will consider the complaint against the legal jurisdiction criteria test and if the complaint passes that test the Monitoring Officer may pass the complaint to the police. Where a complainant has been advised to refer a matter to the police or the Monitoring Officer has referred the matter to the police ~~In such cases,~~ the complaints process under these Arrangements will be suspended, pending a decision/action by the police or other prosecuting or regulatory authority. Where the police or other prosecuting or regulatory authority decide to take no action on the complaint, the Monitoring Officer will lift the suspension and ~~, in consultation with the Independent Person,~~ will apply the local assessment criteria test in paragraph ~~12.4~~ 2.4 above.
- 4.5.** The Monitoring Officer may decide to ~~in consultation with the Independent Person,~~ will take no action or to defer further action on the complaint ~~when~~ whilst one or more of the following apply:
- 4.5.1. On-going criminal proceedings or a police investigation into the Subject Member's conduct ~~or where the complaint is suspended in accordance with paragraph 4.4 above;~~

- 4.5.2. Investigation cannot be proceeded with, without investigating similar alleged conduct or needing to come to conclusions of fact about events which are also the subject of some other investigation or court proceedings.
- 4.5.3. The investigation might prejudice another investigation or court proceedings.
- ~~On-going investigation by another prosecuting or regulatory authority;~~
- 4.5.4. Genuine long term (3 months or more) unavailability of a key party.
- 4.5.5. Serious illness of a key party.
- 4.6.** Normally ~~W~~within 290 working days of receipt of the complaint, the Monitoring Officer will notify the Complainant, Subject Member ~~and~~, if applicable, the Parish/~~Town~~ Clerk of their decision and reasons for applying one of the following processes in the format of the Decision Notice template (appended to this Annex 12):
- 4.6.1. Not to refer the complaint for investigation.
- 4.6.2. ~~To~~Refer the complaint for investigation.
- 4.6.3. ~~To~~Apply the informal resolution process either before or after an investigation.
- ~~Following investigation, to refer the complaint to the Hearing Panel; or~~
- ~~To take no action and close the matter; or~~
- 4.6.4. To refer the complaint to the relevant political group leader for action.
- 4.7.** ~~The decision notice will be published on the Borough Council's website. There is no right of appeal against the Monitoring Officer's decision. However, in the event that the Complainant submits additional relevant information, the Monitoring Officer will consider and decide if the matter warrants further consideration under these Arrangements, in which case~~

~~it shall be treated as a fresh complaint.~~

5. Confidentiality

5.1. If the Complainant has asked for their identity to be withheld, this request will be considered by the Monitoring Officer ~~in consultation with the Independent Person~~ when they initially assess the complaint (see paragraph ~~1~~2 above). The Monitoring Officer may consult the Independent Person.

5.2. As a matter of fairness and natural justice, the Subject Member will usually be told who the Complainant is and will also receive details of the complaint. However, in exceptional circumstances, it may be appropriate to keep the Complainant's identity confidential or not disclose details of the complaint to the Subject Member during the early stages of an investigation. The Monitoring Officer may withhold the Complainant's identity and/or details of the complaint if they are satisfied that there are reasonable grounds for believing that the Complainant or any other person (e.g. a witness):

5.2.1. Is either vulnerable or at risk of threat, harm or reprisal.~~†~~

5.2.2. May suffer intimidation or be victimised or harassed.~~†~~

5.2.3. Works closely with the Subject Member and is afraid of the consequences, e.g. fear of losing their job.~~†~~

5.2.4. Suffers from a serious health condition and there are medical risks associated with their identity being disclosed (medical evidence will need to be provided to substantiate this).~~†~~

5.2.5. May receive less favourable treatment because of the seniority of the person they are complaining about in terms of any existing Borough or Parish/Town Council service provision or any tender/contract they may have with or are about to submit to the Borough or Parish/Town Council.

OR where early disclosure of the complaint:

5.2.6. May lead to evidence being compromised or destroyed; or

5.2.7. May impede or prejudice the investigation; or

5.2.8. Would not be in the public interest.

5.3. Relevant public interest factors favouring disclosure (not an exhaustive list) include:

5.3.1. To facilitate transparency and ethical governance accountability: recognising that decision-making may be improved by constructive contributions from others;

5.3.2. To raise public awareness: disclosing the complaint or part of it may inform the community about matters of general concern;

5.3.3. Justice to an individual: the balance of the public interest may favour disclosure of the complaint to the Subject Member when it may not be in the public interest to disclose it to the world at large;

5.3.4. Bringing out in the open serious concerns about the behaviour/conduct of an individual.

5.4. ~~The Monitoring Officer, in consultation with the Independent Person, will balance whether the public interest in accepting the complaint outweighs the Complainant's wish to have their identity (or that of another person) withheld from the Subject Member.~~ If the Monitoring Officer decides to refuse the Complainant's request for confidentiality, they will offer the Complainant the option to withdraw their complaint. The Complainant will be notified of the Monitoring Officer's decision, with reasons, ~~within 15 working days of receipt of the complaint~~ by the Monitoring Officer. There is no right of appeal against the Monitoring Officer's decision to refuse the Complainant's request for confidentiality.

6. Informal resolution

6.1. ~~These Arrangements enable t~~The Monitoring Officer, ~~in consultation with the Independent Person,~~ may seek to resolve complaints informally at any stage in the process, whether without the need for an investigation, either or before or after investigation has been commenced or concluded. In so doing, the Monitoring Officer will consult with the Complainant and

the Subject Member to agree what they consider to be a fair resolution, which will help to ensure higher standards of conduct for the future.

6.2. Informal resolution may be the simplest and most cost-effective way of resolving the complaint and may be appropriate where:

6.2.1. The Subject Member appears to have a poor understanding of the Code of Conduct and/or related Borough or Parish/[Town](#) Council procedures; or

6.2.2. There appears to be a breakdown in the relationship between the Complainant and the Subject Member; or

6.2.3. The conduct complained of appears to be a symptom of wider underlying conflicts which, if unresolved, are likely to lead to lead to further misconduct or allegations of misconduct; or

6.2.4. The conduct complained of appears common to a number of members of the Borough or Parish/[Town](#) Council, demonstrating a lack of awareness, experience or recognition of the particular provisions of the Code of Conduct and/or other Borough or Parish/[Town](#) Council procedures etc.; or

6.2.5. The conduct complained of appears to the Monitoring Officer not to require a formal sanction; or

6.2.6. The complaint appears to reveal a lack of guidance, protocols and procedures within the Borough or Parish/[Town](#) Council; or

6.2.7. The Complainant and the Subject Member are amenable to engaging in an informal resolution; or

6.2.8. The complaint consists of allegations and retaliatory allegations between Members; or

6.2.9. The complaint consists of allegations about how formal meetings are conducted; or

6.2.10. The conduct complained of may be due to misleading, unclear or misunderstood advice from officers.

6.3. Informal resolution may consist of one or more of the following actions,

which do not have to be limited to the Subject Member, but may extend to other Members including the whole Borough or Parish/[Town](#) Council where it may be useful to address systemic behaviour:

- 6.3.1. Training~~..7~~
 - 6.3.2. Conciliation/mediation~~..7~~
 - 6.3.3. Mentoring~~..7~~
 - 6.3.4. Apology~~..7~~
 - 6.3.5. Instituting changes to the Borough or Parish/[Town](#) Council's Procedures~~..7~~
 - 6.3.6. Conflict management~~..7~~
 - 6.3.7. Development of the Borough or Parish/[Town](#) Council's protocols~~..7~~
 - 6.3.8. Other remedial action by the Borough or Parish/[Town](#) Council~~..7~~
 - 6.3.9. Other steps (other than investigation) if it appears appropriate to the Monitoring Officer ~~in consultation with the Independent Person.~~
- 6.4.** If the Subject Member is agreeable to and complies with the informal resolution process, the Monitoring Officer ~~may will~~ report the matter to the Audit, Governance and Standards Committee ~~[and, if applicable, the Parish/[Town](#) Council]~~ for information, but will take no further action [against the Subject Member](#).
- 6.5.** Where the Subject Member will not participate in the informal resolution process or if, having agreed to one or more actions under the informal resolution process, the Subject Member refuses or fails to carry out any agreed action, the Monitoring Officer will report the matter to the Audit, Governance and Standards Committee.

COMPLAINT FORM

[To be completed]

*[**NOTE:** To be finalised and circulate as Urgent Update. This is also in the process of being digitised.]*

EXAMPLE TEMPLATE - DECISION NOTICE (of the Monitoring Officer): e.g., REFERRAL FOR INVESTIGATION

Parties should take care when passing on information that is in the notice or about the notice. For example, some details such as names and addresses may be confidential or private in nature or may be personal information.

Complaint No: *[insert]*

Complaint

On *[insert date]*, the Monitoring Officer considered a complaint from *[insert name of complainant]* concerning the alleged conduct of *[insert name of councillor]*, a member of *[insert authority name]*. A general summary of the complaint is set out below.

Complaint summary

[Summarise complaint in numbered paragraphs]

Consultation with Independent Person

[Summarise the Independent Person's views in numbered paragraphs]

Decision

[Having consulted and taken into account the views of the Independent Person], the Monitoring Officer decided to refer the complaint for investigation.

Potential breaches of the Code of Conduct identified

At this stage, the Monitoring Officer is not required or able to decide if the Code of Conduct has been breached. They are only considering if there is enough information which shows a potential breach of the Code of Conduct that warrants referral for investigation.

The Monitoring Officer considers that the alleged conduct, if proven, may amount to a breach of the following paragraphs of the Code of Conduct. The Monitoring Officer has appointed *[insert name]* as the Investigating Officer.

Please note that it will be for the Investigating Officer to determine which paragraphs are relevant, during the course of the investigation.

[detail relevant Code of Conduct paragraphs]

Notification of decision

This decision notice is sent to the:

- Complainant.
- Member against whom the complaint was made.
- [Clerk to the relevant Parish/Town or Town Council].
- Kent County Council's Monitoring Officer (*applicable only where the Subject Member is serving at both ~~District~~ Borough and County level*).

What happens now

The complaint will now be investigated under the Borough Council's Arrangements for Dealing with Code of Conduct Complaints under the Localism Act 2011.

Appeal

There is no right of appeal against the Monitoring Officer's decision.

Additional Help

If you need additional support in relation to this decision notice or future contact with the Borough Council, please let us know as soon as possible. If you have difficulty reading this notice, we can make reasonable adjustments to assist you, in line with the requirements of the Equality Act 2010. We can also help if English is not your first language. Please refer to the attached Community Interpreting Service leaflet or contact our Customer Services on [insert telephone number] or email [insert email address].

Signed:**Date****Print name:**

Monitoring Officer of ~~xxxxxx District~~ [Maidstone Borough](#) Council

Address:

[Maidstone Borough Council](#)

[Maidstone House](#)

[King Street](#)

[Maidstone](#)

[Kent ME15 6JQ](#)

ANNEX 2**PROCEDURE FOR INVESTIGATING THE COMPLAINT****~~Para. ———— Annex 2: Procedure for Investigating the Complaint~~****1. Preliminaries**

- 1.1.** The Investigating Officer will be appointed by the Monitoring Officer and will be aware of their obligations under [UK General Data Protection Regulation and](#) the Data Protection Act ~~2018~~1998, Equalities Act 2010, the Human Rights Act 1998 and other relevant legislation.
- 1.2.** The Investigating Officer is responsible for gathering all the facts, documents and, where applicable, for interviewing witnesses with knowledge of the facts, and they should remain objective, impartial and unbiased at all times.
- 1.3.** The Subject Member and the Complainant will be advised that the investigation is for ~~fact finding purposes only~~ [the purposes of establishing facts and making recommendations as to whether the facts disclose a breach of the relevant code of conduct.](#)
- 1.4.** Witnesses will be identified at the investigation stage and [wherever possible](#) their evidence supported by signed and dated witness statements and/or notes of interview with the Investigating Officer. The Investigating Officer cannot compel the attendance of witnesses or their co-operation.
- 1.5.** The Investigating Officer will not make recommendations on sanctions.
- 1.6.** ~~Within 10 working days of being appointed, t~~he Investigating Officer will notify the Subject Member and the Complainant of their appointment, [normally within 20 working days of being appointed](#) and:
- 1.6.1. Provide details of the complaint to the Subject Member;
- 1.6.2. Detail the procedure to be followed in respect of the investigation

and the relevant timescales for responses and concluding the investigation;

- 1.6.3. Detail the sections of the Code of Conduct that appear to be relevant to the complaint;
 - 1.6.4. Request contact details of any potential witnesses;
 - 1.6.5. Require that confidentiality is maintained [throughout the duration of the investigation and the procedures contemplated by this Annex](#) and that details of the complaint not be disclosed to any third party, unless disclosure is to a representative, witness, immediate family members or otherwise as may be required by law or regulation. However, the fact that an investigation is being conducted does not need to remain confidential.
- 1.7.** It may be necessary for the Investigating Officer to agree with the Subject Member which documents will be submitted in evidence. This will generally include documents that will be relied on, or in support of, the Subject Member's case and which are relevant to the complaint.
- 1.8.** The Investigating Officer may [conclude](#) ~~terminate~~ their investigation at any point, where they are satisfied that they have sufficient information to enable them to report to the ~~[Monitoring Officer]~~ ~~[Hearing Panel]~~.

2. [Evidence of New Breaches](#)

- 2.1.** [The Investigating Officer may find evidence of conduct by councillors that breaches the Code of Conduct but extends beyond the scope of the investigation referred to them. Their powers as an Investigating Officer relate only to the allegation that they been given. While that means that the Investigating Officer may consider other parts of the Code than those initially considered if they are relevant to the matter in hand, they may also find evidence of a possible breach that does not directly relate to the allegation being investigated. If this happens, the Investigating Officer should tell the person they obtained the information from that they cannot investigate the possible breach as part of their existing investigation. The Investigating Officer should advise them that they are able to make a separate complaint to the Monitoring Officer.](#)

3. [Referring Cases Back to the Monitoring Officer](#)

- 3.1.** During the course of an investigation, it may be necessary for the Monitoring Officer to consider whether the investigation should continue, for example, if:
- 3.1.1. Evidence suggests a case is less serious than may have seemed apparent originally and that a different decision might therefore have been made about whether to investigate it or not.
 - 3.1.2. It emerges during the investigation that the conduct under investigation was not conduct by the Subject Member in their role as a councillor but rather in a private capacity.
 - 3.1.3. Evidence indicates something which is potentially more serious which should be referred to the police.
 - 3.1.4. The Subject Member has died, is seriously ill, has resigned from the authority, or is otherwise reasonably unable to take part in the process for the foreseeable future and it is considered that it is no longer appropriate to continue with the investigation.
 - 3.1.5. The Subject Member has indicated that they wish to make a formal apology or take other action which should resolve the matter.
- 3.2.** In this context 'seriously ill' means that the councillor has a medical condition which would prevent them from engaging with the process of an investigation or a hearing for the foreseeable future. This might be a terminal illness or a degenerative condition. The Investigating Officer would be expected to establish this from a reliable independent and authoritative source other than the Subject Member. This would include where a councillor claims they are suffering from stress brought on by the investigation.
- 3.3.** Ultimately it will be for the Monitoring Officer to conclude whether the investigation should continue. In reaching that decision, the Monitoring Officer may consult with the Independent Person before deciding to defer or end the investigation.
- 3.4.** If the investigation has been deferred or ended the Subject Member and the complainant should be notified of the decision and where possible provided with timescales within which the matter will be dealt with if it has been deferred. This would not always be possible, however, particularly if the matter has been referred to the police.

4. Deferring an Investigation

- 4.1.** An investigation should be deferred when any of the following conditions are met:
- 4.1.1. There are ongoing criminal proceedings or a police investigation into the Subject Member's conduct.
- 4.1.2. The investigation might prejudice another investigation or court proceeding.
- 4.2.** An investigation may also need to be deferred for any of the reasons set out in paragraph 4.5 of Annex 1.
- 4.3.** When it is clear that there is an ongoing police or other investigation, or related court proceedings, the Investigating Officer should make enquiries about the nature of the police, or other investigation, or the nature of any court proceedings.
- 4.4.** If at any time during the investigation the Investigating Officer becomes aware of any circumstances that might require the investigation to be deferred, the Investigating Officer should notify the Monitoring Officer who should determine whether there should be a deferral. The Monitoring Officer may also wish to consult with the Independent Person.
- 4.5.** In some cases, it will be possible to investigate some of the alleged conduct, where there is no overlap with another investigation or court proceedings. The Investigating Officer should highlight those areas where investigation may be possible in the investigation plan.
- 4.6.** The Monitoring Officer or the Investigating Officer should ask the police, other relevant organisation or individual, in writing to keep them informed of the outcome of any police or other investigation, court proceedings or other relevant matter. Any important dates, for example of committal hearings should be noted in the investigation plan review.
- 4.7.** A deferred investigation should be kept under regular review, in the interests of natural justice.
- 4.8.** Once a decision is taken to begin the investigation again the Investigating Officer should notify in writing: the Subject Member; the complainant; the

relevant Independent Person; and the relevant Parish/Town council if the Subject Member is a Parish/Town councillor.

- 4.9.** The investigation plan should be reviewed in the light of the outcome of any police investigation or court proceedings.

5. The draft report

- 5.1.** On the conclusion of their investigation the Investigating Officer will issue a draft report (clearly labelled 'DRAFT' and 'CONFIDENTIAL') to the Monitoring Officer for review.

- 5.2.** Following review by the Monitoring Officer, the draft report will be sent in confidence to the Subject Member and the Complainant (not witnesses) for comment. The draft report will be clearly labelled 'DRAFT' and 'CONFIDENTIAL' and will detail:

- 5.2.1. The relevant provisions of the law and the relevant paragraphs of the Code of Conduct;
- 5.2.2. A summary of the complaint;
- 5.2.3. The Subject Member's response to the complaint;
- 5.2.4. Relevant information, explanations, etc, which the Investigation Officer has obtained in the course of the investigation;
- 5.2.5. A list of any documents relevant to the matter;
- 5.2.6. A list of those persons/organisations who have been interviewed;
- 5.2.7. A statement of the Investigating Officer's draft findings of fact and reasons;
- 5.2.8. The Investigating Officer's conclusion as to whether the Subject Member has or has not failed to comply with the Authority's Code of Conduct;
- 5.2.9. That the Investigating Officer will present a final report once they have considered any comments received on the draft.

- 5.3.** Once the Investigating Officer has received any responses from the

Subject Member and/or the Complainant, they will finalise the draft report and make their final conclusions and recommendations to the Monitoring Officer. The report will be clearly labelled 'FINAL' and 'CONFIDENTIAL'.

6. Consideration of Investigating Officer's final report

6.1. The Monitoring Officer will review the Investigating Officer's final report and any comments submitted by the Parties, in consultation with the Independent Person.

6.2. Where, on the basis of the Investigating Officer's report, the Monitoring Officer, having consulted with the Independent Person, concludes that there is no evidence of a failure to comply with the Code of Conduct; they will inform the Parties in writing that no further action is considered necessary. There is no right of appeal against the Monitoring Officer's decision.

6.3. Where, on the basis of the Investigating Officer's report, the Monitoring Officer, having consulted with the Independent Person, concludes that there is evidence of a failure to comply with the Code of Conduct, they will either:

6.3.1. Take no action; or

6.3.2. Seek informal resolution; or

6.3.3. Refer the matter for consideration by the Hearing Panel in accordance with the relevant procedure detailed in Annex 2 to these Arrangements.

7. Confidentiality

7.1. The procedures detailed in this Annex are all treated as confidential to those involved in the process. Some details (which would include names and addresses) may be personal data, subject to data protection laws, some content of statements or reports may be otherwise private or confidential or, may be potentially defamatory if published.

7.2. Whilst non-members are not covered by the Code of Conduct (e.g., members of the public, witnesses and non-councillor complainants) if,

they do decide to publish details of the complaint they may expose themselves to liability in defamation (if information turns out to be untrue) or to other liabilities e.g., for breach of confidence, or for breach of data protection laws which could arise even where the information is true. Non-members may wish to seek their own legal advice.

ANNEX 3**HEARING PANEL PROCEDURE**

~~Para.~~ ~~Annex 3: Hearing Panel Procedure~~

1. Pre-Hearing Procedure

1.1. In order to allow the hearing to proceed fairly and efficiently, the Monitoring Officer may in appropriate cases use a pre-hearing procedure to identify:

1.1.1. Which facts in the investigation report are agreed and which are in dispute.

1.1.2. Whether there is fresh evidence not mentioned in the investigation report which will be put before the hearing.

1.1.3. Whether there is documentary evidence which a party intends to put before the hearing.

1.1.4. Whether the parties intend to attend, whether the parties intend to be represented in accordance with paragraph 3 and, if so, by whom, the number and identity of witnesses to be called.

1.1.5. Whether the Subject Member requests the whole or any part of the hearing to be held in private.

1.1.6. Whether the Subject Member requests the whole or any part of the investigation report or other relevant documents to be withheld from the public.

1.2. The Monitoring Officer will notify the parties of the date, time, and place for the hearing.

2. Rules of procedure

2.1. The Hearing Panel consists of three voting elected Members ~~plus one non-voting Parish Councillor when a Parish Councillor is the subject of a complaint~~ drawn from the Audit, Governance and Standards Committee, one of whom shall be elected as Chairman.

- 2.2.** The quorum for a meeting of the Hearing Panel is three elected Members ~~plus one non-voting Parish Councillor when a Parish Councillor is the subject of a complaint.~~
- 2.3.** The Independent Person's views must be sought and taken into consideration before the Hearing Panel takes any decision on whether the Subject Member's conduct constitutes a failure to comply with the Code of Conduct and as to any sanction to be taken following a finding of failure to comply with the Code of Conduct. The Independent Person should normally be present throughout the hearing (but not during the deliberations of the Hearing Panel in private) but in the event that this is not possible, may instead submit their views on the complaint to the Hearing Panel in writing.
- 2.4.** The legal requirements for publishing agendas, minutes and calling meetings, will apply to the Hearing Panel. The [presumption is that the hearing will be held in public no earlier than 14 working days after the Monitoring Officer has copied the Investigating Officer's final report to the complainant and the Subject Member.](#) Schedule 12A Local Government Act 1972 (as amended) will be applied to exclude the public and press from meetings of the Hearing Panel ~~where it is likely that confidential or exempt information will be disclosed.~~
- 2.5.** Once a hearing has started, the Borough Council's Rules of Substitution do not apply to the Hearing Panel's proceedings.
- 2.6.** All matters/issues before the Hearing Panel will be decided by a simple majority of votes cast, with the Chairman having a second or casting vote.
- 2.7.** Where the Subject Member fails to attend the Hearing Panel and where the Hearing Panel is not satisfied with their explanation for their absence from the hearing, the Hearing Panel may in the first instance, have regard to any written representations submitted by the Subject Member and may resolve to proceed with the hearing in the Subject Member's absence and make a determination or, if satisfied with the Subject Member's reasons for not attending the hearing, adjourn the hearing to another date. The Hearing Panel may resolve in exceptional circumstances, that it will proceed with the hearing on the basis that it is

in the public interest to hear the allegations expeditiously.¹

3. Right to be accompanied by a representative

- 3.1.** The Subject Member may choose to be represented by counsel, a solicitor, or by any other person they wish. The panel does, however, have the right to require a representative to leave if that representative disrupts the hearing. However, an appropriate warning will be given before requiring a representative to leave the hearing~~accompanied and/or represented at the Hearing Panel by a fellow-Member, friend or colleague.~~

4. Order of Business~~The conduct of the hearing~~

- 4.1.** Subject to paragraph ~~3~~4.2 below, the order of business will be as follows:

- 4.1.1. Elect a Chairman;
- 4.1.2. Apologies for absence;
- 4.1.3. Declarations of interests;
- 4.1.4. In the absence of the Subject Member, consideration as to whether to adjourn or to proceed with the hearing (refer to paragraph 1.11 above);
- 4.1.5. Introduction by the Chairman, of members of the Hearing Panel, the Independent Person, Monitoring Officer, Investigating Officer, legal advisor, complainant and the Subject Member and their representative;
- 4.1.6. To receive representations from the Monitoring Officer and/or Subject Member as to whether any part of the hearing should be held in private and/or whether any documents (or parts thereof) should be withheld from the public/press;
- 4.1.7. To determine whether the public/press are to be excluded from any part of the meeting and/or whether any documents (or parts thereof) should be withheld from the public/press.

- 4.2.** The Chairman may exercise their discretion and amend the order of

¹ [Janik v Standards Board for England & Adjudication Panel for England \(2007\)](#)

business, where they consider that it is expedient to do so in order to secure the effective and fair consideration of any matter.

4.3. The Hearing Panel may adjourn the hearing at any time.

5. Presentation of the complaint

5.1. [The Monitoring Officer, legal advisor, or chairman may make an introductory statement outlining the nature of the complaint and the purpose of the hearing, and the procedure to be followed.](#)

5.2. The Investigating Officer presents their report including any documentary evidence or other material and calls their witnesses. No new points will be permitted.²⁷

5.3. The Subject Member or their representative may question the Investigating Officer and any witnesses called by the Investigating Officer.²⁷

5.4. The Hearing Panel may question the Investigating Officer upon the content of their report and any witnesses called by the Investigating Officer.

6. Presentation of the Subject Member's case

6.1. The Subject Member or their representative presents their case and calls their witnesses.²⁷

6.2. The Investigating Officer may question the Subject Member and any witnesses called by the Subject Member.²⁷

6.3. The Hearing Panel may question the Subject Member and any witnesses called by the Subject Member.

7. Summing up

7.1. The Investigating Officer sums up the complaint.²⁷

7.2. The Subject Member or their representative sums up their case.

8. Views/Submissions of the Independent Person

8.1. The Chairman will invite the Independent Person to express their view on

whether or not they consider that on the facts presented to the Hearing Panel, there has been a breach of the Code of Conduct.

9. Deliberations of the Hearing Panel to be in Private

9.1. The Hearing Panel will adjourn the hearing and deliberate in private (assisted on matters of law by a legal advisor) to consider whether or not, on the facts found, the Subject Member has failed to comply with the Code of Conduct.

9.2. The Hearing Panel may at any time come out of private session and reconvene the hearing in public, in order to seek additional evidence from the Investigating Officer, the Subject Member or the witnesses. If further information to assist the Panel cannot be presented, then the Panel may adjourn the hearing and issue directions as to the additional evidence required and by whom.

10. Announcing Decision on Facts Found

10.1. The Hearing Panel will reconvene the hearing in public ([if the public have not been excluded from the proceedings](#)) and the Chairman will announce whether or not on the facts found, the Panel considers that there has been a breach of the Code of Conduct

10.2. Where the Hearing Panel considers that there has been a breach of the Code of Conduct, the Chairman will invite the Independent Person, the Subject Member and the Monitoring Officer to make their representations as to whether or not any sanctions should be applied and, if so, what form they should take.

10.3. When deciding whether to apply one or more sanctions, the Hearing Panel will ensure that the application of any sanction is reasonable and proportionate to the Subject Member's behaviour. The Hearing Panel will consider the following questions along with any other relevant circumstances or other factors specific to the local environment:

10.3.1. What was the Subject Member's intention and did they know that they were failing to follow the Borough or Parish/[Town](#) Council's Code of Conduct?

- 10.3.2. Did the Subject Member receive advice from officers before the incident and was that advice acted on in good faith?
- 10.3.3. Has there been a breach of trust?
- 10.3.4. Has there been financial impropriety, e.g. improper expense claims or procedural irregularities?
- 10.3.5. What was the result/impact of failing to follow the Borough or Parish/[Town](#) Council's Code of Conduct?
- 10.3.6. How serious was the incident?
- 10.3.7. Does the Subject Member accept that they were at fault?
- 10.3.8. Did the Subject Member apologise to the relevant persons?
- 10.3.9. Has the Subject Member previously been reprimanded or warned for similar misconduct?
- 10.3.10. Has the Subject Member previously breached of the Borough or Parish/[Town](#) Council's Code of Conduct?
- 10.3.11. Is there likely to be a repetition of the incident?

10.4. [Mitigating factors may include:](#)

- 10.4.1. [An honestly held, although mistaken, view that the action concerned did not constitute a failure to follow the provisions of the Code of Conduct, particularly where such a view has been formed after taking appropriate advice.](#)
- 10.4.2. [A councillor's previous record of good service.](#)
- 10.4.3. [Substantiated evidence that the councillor's actions have been affected by ill-health.](#)
- 10.4.4. [Recognition that there has been a failure to follow the Code.](#)
- 10.4.5. [Co-operation in rectifying the effects of that failure.](#)
- 10.4.6. [An apology to affected persons where that is appropriate.](#)
- 10.4.7. [Self-reporting of the breach by the councillor.](#)

10.4.8. [Compliance with the Code since the events giving rise to the complaint.](#)

10.5. [Aggravating factors may include:](#)

10.5.1. [Dishonesty or breaches of trust.](#)

10.5.2. [Tying to gain an advantage or disadvantage for themselves or others.](#)

10.5.3. [Bullying.](#)

10.5.4. [Continuing to deny the facts despite clear contrary evidence.](#)

10.5.5. [Seeking unfairly to blame other people.](#)

10.5.6. [Failing to heed appropriate advice or warnings or previous findings of a failure to follow the provisions of the Code.](#)

10.5.7. [Persisting with a pattern of behaviour which involves repeatedly failing to abide by the provisions of the Code.](#)

10.6. [Having heard the representations of the Independent Person, the Subject Member and the Monitoring Officer on the application of sanctions, the Hearing Panel will adjourn and deliberate in private.](#)

~~If evidence presented to the Hearing Panel highlights other potential breaches of the Borough or Parish Council's Code of Conduct, then the Chairman will outline the Hearing Panel's concerns and recommend that the matter be referred to the Monitoring Officer as a new complaint.~~ **Final**

Decision

10.7. Where the complaint has a number of [elements](#)~~aspects~~, the Hearing Panel may reach a finding, apply a sanction and/or make a recommendation on each aspect separately.

10.8. The Hearing Panel will make its decision on the balance of probabilities, based on the evidence before it during the hearing.

10.9. Having taken into account the Independent Person, the Subject Member and the Monitoring Officer's representations on the application of sanctions, the Hearing Panel will reconvene the hearing in public and the

Chairman will announce:

- 10.9.1. ~~¶~~The Panel's decision as to whether or not the Subject Member has failed to comply with the Code of Conduct, and the principal reasons for the decision.~~¶~~
- 10.9.2. ~~¶~~The sanctions (if any) to be applied.~~¶~~
- 10.9.3. ~~¶~~The recommendations (if any) to be made to the Borough or Parish/Town Council or Monitoring Officer.~~¶~~
- 10.9.4. ~~¶~~That there is no right of appeal against the Panel's decision and/or recommendations.

11. Range of possible sanctions

11.1. Where the Hearing Panel determines that the Subject Member has failed to comply with the Code of Conduct, any one or more of the following sanctions may be applied/recommended:

- 11.1.1. Report its findings in respect of the subject member's conduct to the Council (or the relevant Parish Council).
- 11.1.2. Issue (or recommend to the Parish Council to issue) a formal censure (i.e., the issue of an unfavourable opinion or judgement or reprimand).
- 11.1.3. Recommend to the leader of the authority that the Subject Member be removed from positions of responsibility.
- 11.1.4. Instruct the Monitoring Officer to (or recommend that the Parish Council) arrange training for the Subject Member.
- 11.1.5. Recommend to Council (or recommend to the Parish Council) that the Subject Member be removed from all outside appointments to which they have been appointed or nominated by the authority (or by the parish Council).
- 11.1.6. Recommend to Council (or recommend to the Parish Council) that it withdraws facilities provided to the Subject Member by the authority for a specified period, such as a computer, website and/or email and internet access.

- 11.1.7. Recommend to Council (or recommend to the Parish Council) that it excludes the Subject Member from the authority's offices or other premises for a specified period, with the exception of meeting rooms as necessary for attending Council, committee and sub-committee meetings, and/or restricts contact with officers to named officers only.
- 11.1.8. If relevant recommend to Council that the Subject Member be removed from their role as leader of the authority.
- 11.1.9. If relevant recommend to the secretary or appropriate official of a political group that the councillor be removed as group leader or other position of responsibility.
- 11.1.10. Recommend that the Subject Member make an apology in respect of the conduct or take some other action to resolve the matter.

~~Subject to paragraph 4.4 below, where the Hearing Panel determines that the Subject Member has failed to comply with the Code of Conduct, any one or more of the following sanctions may be applied/recommended:—~~

~~11.1.11. Censuring the Subject Member or;~~

~~11.1.12. Recommending to the Subject Member's Group Leader or Parish Council, or in the case of an ungrouped Subject Member, to the Borough or Parish Council that they be removed from committees or sub-committees of the Council;~~

~~11.1.13. Instructing the Monitoring Officer [or recommending to the Parish Council] to arrange training for the Subject Member;~~

~~11.1.14. Recommending to the Borough or Parish Council that the Subject Member be removed from one or more outside appointments to which they have been appointed or nominated by the Borough or Parish Council;~~

~~11.1.15. Recommending to the Borough or Parish Council that it withdraws facilities provided to the Subject Member by the~~

~~Council, such as a computer, website and/or email and internet access;~~

~~11.1.16. Recommending to the Borough or Parish Council the exclusion of the Subject Member from the Borough or Parish Council's offices or other premises, with the exception of meeting rooms as necessary for attending Borough or Parish Council committee and sub-committee meetings;~~

~~11.1.17. Reporting the Panel's findings to the Borough or Parish Council for information;~~

~~11.1.18. Instructing the Monitoring Officer to apply the informal resolution process;~~

~~11.1.19. Sending a formal letter to the Subject Member;~~

~~11.1.20. Recommending to the Borough or Parish Council to issue press release or other form of publicity;~~

~~11.1.21. Publishing its findings in respect of the Subject Member's conduct in such manner as the Panel considers appropriate.~~

11.2. Where the Subject Member is a Parish or Town councillor, the matter is referred back to their Council to say that a breach of the Code has been found and with a recommended sanction. The Town or Parish Council must then meet to consider whether to impose that sanction or to replace it with another relevant sanction. They cannot overturn the finding that there has been a breach of the Code and if they wish to impose a different sanction they should seek advice from the clerk and/or the Monitoring Officer. The panel should also ask the Parish or Council to report back to the monitoring officer within three months to confirm that they have met to discuss the sanction, and if necessary, to write again once the sanction has been fulfilled.

11.3. Note that under the Code of Conduct failure to comply with a sanction may of itself be a breach of the Code.

11.4. The Hearing Panel has no power to suspend or disqualify the Subject Member or to withdraw basic or special responsibility allowances.

- 11.5.** The Hearing Panel may specify or recommend that any sanction take effect immediately or take effect at a later date and that the sanction be time limited.

~~**Publication and notification of the Hearing Panel’s decision and recommendations**~~

~~Within 10 working days of the Hearing Panel’s announcement of its decision and recommendations, the Monitoring Officer will publish the name of the Subject Member and a summary of the Hearing Panel’s decision and recommendations and reasons for the decision and recommendations on the Borough Council’s website.~~

~~Within 10 working days of the announcement of the Hearing Panel’s decision, the Monitoring Officer will provide a full written decision and the reasons for the decision, including any recommendations, in the format of the Decision Notice template below to:~~

~~11.5.1. The Subject Member;~~

~~11.5.2. The Complainant;~~

~~11.5.3. the Clerk to the Parish Council;~~

~~11.5.4. Kent County Council’s Standards Committee (applicable only where the Subject Member is serving at both Borough and County level);~~

~~11.5.5. the Borough Council’s Audit, Governance and Standards Committee (applicable only where the Subject Member is serving at both Borough and County level).~~

~~The Monitoring Officer will report the Hearing Panel’s decision and recommendations to the next ordinary meeting of the Audit, Governance and Standards Committee for information.~~

~~[1] Janik v Standards Board for England & Adjudication Panel for England (2007)~~

12. Publicising the Findings

- 12.1.** The Monitoring Officer should arrange for a decision notice to be published on the website of any authorities concerned. A template decision notice is appended which may be used for these purposes.
- 12.2.** If the panel finds that the Subject Member did not fail to follow the authority's Code of Conduct, the public summary must say this and give reasons for this finding.
- 12.3.** If the panel finds that the Subject Member failed to follow the Code but that no action is needed, the public summary should:
- 12.3.1. Say that the councillor failed to follow the Code, but that no action needs to be taken.
 - 12.3.2. Outline what happened.
 - 12.3.3. Give reasons for the panel's decision not to take any action.
- 12.4.** If the panel finds that a councillor failed to follow the Code and it imposed or recommended a sanction or other action, the public summary should:
- 12.4.1. Say that the councillor failed to follow the Code.
 - 12.4.2. Outline what happened.
 - 12.4.3. Explain what sanction has been imposed.
 - 12.4.4. Give reasons for the decision made by the panel.
- 12.5.** The panel's reports and minutes should be available for public inspection in the same way as other local authority committee papers.
- 13.** **Appeals**
- 13.1.** Given that the framework and sanctions are meant to be light-touch and proportionate, there is no right of appeal against a decision on a Code of Conduct complaint.

TEMPLATE - DECISION NOTICE (of Hearing Panel)

Complaint No: [\[insert\]](#)~~xxxx~~

On *[insert date]*, the Hearing Panel of Maidstone Borough Council considered a report of an investigation into the alleged conduct of *[insert name of councillorMember]*, a member of *[insert authority name]*. A general summary of the complaint is set out below.

Complaint summary

[Summarise complaint in numbered paragraphs as set out in the Investigating Officer's report to the Hearing Panel]

Consultation with Independent Person

[Summarise the Independent Person's views in numbered paragraphs]

Findings

After considering the submissions of the parties to the hearing and the views of the Independent Person, the Hearing Panel reached the following decision(s):

[Summarise the finding of facts and the Hearing Panel's decision against each finding of fact in numbered paragraphs as set out in the Investigating Officer's report to the Hearing Panel, but substitute the Investigating Officer for the Hearing Panel. Please note that the Hearing Panel's findings may differ from that of the Investigating Officer]

The Hearing Panel also made the following recommendation(s)

[Detail recommendations]

Sanctions applied

The breach of the *[insert authority name]* Code of Conduct warrants a *[detail sanctions applied]*.

Appeal

There is no right of appeal against the Hearing Panel's decision.

Notification of decision

This decision notice is sent to the:

- [CouncillorMember](#) ~~Member~~ *–* [name of [CouncillorMember](#)]
- Complainant
- Monitoring Officer
- [Clerk to the xxxx Parish/[Town](#) Council];

- Kent County Council's Monitoring Officer [*applicable only where the [Councillor Member](#) is serving at both Borough and County level*]

Additional help

If you need additional support in relation to this decision notice or future contact with the Borough Council, please let us know as soon as possible. If you have difficulty reading this notice, we can make reasonable adjustments to assist you, in line with the requirements of the Equality Act 2010. We can also help if English is not your first language. Please refer to the attached Community Interpreting Service leaflet or contact our Customer Services on [*insert telephone number*] or email [*insert email address*].

Signed:

[Date:](#)

Print name:

Chairman of the Hearing Panel

MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON MONDAY 15 JANUARY 2024

Attendees:

| | |
|---------------------------|--------------------------------------------------------------------------------------------------------------------------|
| Committee Members: | Councillors Cox (Chairman), Coulling, Harper, Hastie, Jones, Kimmance, Knatchbull, Titchener, Trzebinski and Webb |
| Visiting Members: | Councillor Perry |

62. APOLOGIES FOR ABSENCE

Apologies for absence were received from Councillors Bartlett and Forecast.

63. NOTIFICATION OF SUBSTITUTE MEMBERS

The following Substitute Members were noted:

- Councillor Hastie for Councillor Bartlett
- Councillor Webb for Councillor Forecast

64. URGENT ITEMS

The Chairman stated that he had accepted the Committee Work Programme as an urgent item, so that it could be reviewed ahead of the next meeting, and that this would be considered after Item 11 – Questions from Members to the Chairman.

An urgent update to Item 19 – Exempt Appendix to Item 18 – Independent Member had been accepted as it contributed to the item’s consideration.

65. CHANGE TO THE ORDER OF BUSINESS

The Chairman stated that Item 13 – Information Governance Report – Annual Report would be taken after Item 17 – Budget Strategy – Risk Assessment Update, to allow the relevant staff to attend, with Items 14 – External Auditor’s Audit Plan 2022/23 and 15 – External Auditor’s Progress Report and Sector Update, to be taken together due to the related subject matter.

66. NOTIFICATION OF VISITING MEMBERS

Councillor Perry was present as a Visiting Member for Item 16 – Treasury Management Strategy, Investment Strategy and Capital Strategy for 2024/25.

67. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

68. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

69. EXEMPT ITEMS

RESOLVED: That all items be taken in public, unless any Member of the Committee wishes to discuss Item 19 – Exempt Appendices to Item 18 – Independent Member, in which case the Committee would enter into closed session due to the possible disclosure of exempt information, for the reason specified having applied the public interest test.

70. MINUTES OF THE MEETING HELD ON 13 NOVEMBER 2023

RESOLVED: That the Minutes of the meeting (Parts I and II) held on 13 November 2023 be approved as a correct record and signed, subject to the last paragraph of Minute 55 being amended to read:

‘The Committee expressed support for triple bottom line accounting in considering the possible impacts of a decision. *A briefing was therefore requested on the usage and evaluation of triple bottom line accounting ahead of a future meeting*’.

Note: Councillor Hastie joined the meeting at 6.42 p.m. and had no disclosures or interest or lobbying to declare.

71. PRESENTATION OF PETITIONS

There were no petitions.

72. QUESTIONS AND ANSWER SESSION FOR LOCAL RESIDENTS

There were no questions from Local Residents.

73. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members.

74. COMMITTEE WORK PROGRAMME

The Committee were informed that the next meeting would be postponed, but was still likely to be held in March 2024. A hybrid briefing on triple bottom line accounting take place was requested ahead of the meeting with consideration to be given to maximising Member attendance.

The Director of Finance, Resources and Improvement confirmed that there was a signed contract in place with the managing agent for the Lockmeadow complex, with headlines to be provided to the Committee outside of the meeting.

RESOLVED: That the Committee Work Programme be noted.

75. MEMBER CODE OF CONDUCT & ARRANGEMENTS FOR DEALING WITH COUNCILLOR CONDUCT COMPLAINTS

The Monitoring Officer introduced the report and outlined the historical context and timeline to updating the Member Code of Conduct (the Code). The documents attached at appendices 3 and 4 to the report had been reviewed by the Kent Secretaries Group, which was comprised of Monitoring Officers, Heads of Legal and other Senior Officers from the Kent Local Authorities. The proposed code adopted the majority of the Local Government Association Code, except for the civility provisions.

Having a Kent wide Code of Conduct would ensure consistency, continuity and clearly defined expectations in the codes' application which was particularly important for Members elected to numerous local authorities at one time. It would also allow for training across the Kent network, with any issues to be raised and solutions identified more easily through the Kent Secretaries Group.

In response to questions, the Monitoring Officer confirmed that the Code had been adopted by Kent County Council (KCC), and that whilst it was not mandatory, Parish Councils would be encouraged to adopt the Code as proposed to ensure consistency across the local government tiers.

The Committee felt that Parish Councils should have been directly consulted on the proposed code given its importance, and that the item should be deferred to the next meeting to allow for this to take place without indefinitely delaying the code's consideration. The engagement would take place via the Chairman of the Maidstone branch of the Kent Association of Local Councils.

RESOLVED: That consideration of the item be deferred to the next meeting, to allow the Kent Association of Local Councils had been consulted on the proposed code.

76. EXTERNAL AUDITOR'S AUDIT PLAN 2022/23 & EXTERNAL AUDITOR'S PROGRESS REPORT & SECTOR UPDATE

Ms Sophia Brown of Grant Thornton introduced the reports.

In relation to the External Auditor's Audit Plan 2022/23, particular attention was drawn to:

- The three significant risks to the audit were the management over-ride of controls, valuation of the pension fund net liability and valuation of land and buildings. These were the same as identified in the 2021/22 Financial Statements Audit;
- Materiality having been determined at £1.8 million, which was slightly lower than the previous year, however this was based on the Council's gross expenditure which had slightly decreased across 2022/23. Any errors identified above the £92, 000 trivial level would be included in the audit findings report when presented to the Committee;
- The updates on the previous years' findings and recommendations were included within the report. A joint Value for Money report for 2021/22 and 2022/23 was being produced and would be shared alongside the Annual

Auditor's Report at the Committee's next meeting; there were no significant risks or weaknesses identified in the plan to date.

In relation to the External Auditor's Progress Report & Sector Update, it was stated that:

- Planning and risk assessment work had begun in November 2023, with the planning work substantially complete except for a few management responses to enquiries;
- The audit of accounts for the 2022/23 financial year had started in the new calendar year following the receipt of draft revised financial statements. Grant Thornton was working closely with the Council's Finance Team, which included reconciling an issue with cashflow statements;
- A positive meeting had taken place with the Property, Plant and Equipment (PPE) valuer, with assurances given that responses to the initial queries would be provided; Grant Thornton were content with the current progress. Should the progress not be maintained, the matter would be referred upwards to the Director of Finance, Resources and Business Improvement;
- The additional fee for the 2021/22 audit had been agreed with management and submitted to Public Sector Audit Appointments for agreement; and
- Grant Thornton were on track to deliver its audit opinion by the end of March 2024. The final date to deliver the opinion was by September 2024, although no changes were currently proposed to the former timeline.

The Committee were reassured by the update provided but requested that they be informed if the External Auditor's report was likely to be delayed. It was also requested that a pre-meeting briefing take place on the draft accounts before these were submitted to the Committee, to assist it in discharging its audit functions. As a briefing had been separately requested on triple bottom line accounting, the briefings would be held on different dates to maximise Member attendance; the latter could in principle take place on the now postponed 11 March 2024 meeting date.

RESOLVED: That

1. The External Auditor's Audit Plan for the 2022/23 year, attached at Appendix A to the report, be noted; and
2. The External Auditor's Audit Progress and Sector Update, attached at Appendix A to the report, be noted.

77. TREASURY MANAGEMENT STRATEGY, INVESTMENT STRATEGY AND CAPITAL STRATEGY FOR 2024/25

The Finance Manager introduced the report and stated that the Council's Treasury Management Strategy Statement (TMSS), attached at Appendix A to the report, complied with the CIPFA code.

It was stated that:

- The TMSS included ensuring sufficient liquidity to fund the capital programme, meet the Council's liabilities, examine longer-term borrowing across periods of more than a year with the limit in doing so increased from £2 million to £5 million, assess in-year capital spend and obtain the best rates for the Council if further borrowing was required;
- The Annual Investment Strategy outlined investment criteria, following security, liquidity then yield priorities. The Council's current investments totalled £18.185 million, with further details outlined in Appendix C to the report. The Council would be drawing on £40 million in funding from Aviva in February 2024 which would be held as a short term cash investment until required;
- Further borrowing may be required from 2024/25 or 2025/26 onwards, as displayed in the Liability Benchmark Graph within the report. Long and short term borrowing totalled £10 million, divided equally between the Public Works Loan Board and other Local Authorities; the latter would be paid off first as short term funding was more expensive to the Council; and
- The Capital Strategy was contained within Appendix B to the report, with the capital programme totalling £433 million over the next 10 years. The Council would need to commit to £259 million in prudential borrowing to fund the programme, and was not expected to exceed the Capital Finance Requirement, which would reach £369 million in supporting the programme.

During the discussion, the importance of securing borrowing at suitable interest rates and providing details of the capital programme were highlighted. In response to a question, the Head of Finance explained the programme of proposed property purchases to mitigate the need for costly temporary accommodation.

RESOLVED: That

1. The Treasury Management Strategy for 2024/25 attached at Appendix A to the report, be agreed and recommended to Council for adoption, subject to any amendments arising from consideration of the Capital Programme by Cabinet at its meeting on 7 February 2024; and
2. The Capital Strategy for 2024/25 attached as Appendix B to the report, be agreed and recommended to Council for adoption.

78. **BUDGET STRATEGY - RISK ASSESSMENT UPDATE**

The Director of Finance, Resources and Business Improvement introduced the report, stating that there was an estimated £800,000 overspend on Temporary Accommodation (TA) for the current financial year, with the Council projecting an overall overspend of £300,000 for the year. In September 2023, revenue budget proposals were presented to the Policy Advisory Committees and Cabinet that would generate just under £1 million in savings to produce a balanced budget. It was assumed that Council Tax would be increased by 3%.

The Local Government Finance Settlement had included a 3% increase in core spending power for all Councils, separate to any council tax increases, through the Funding Guarantee (FG). The FG totalled £3.3 million and as a one-off funding source, would be allocated to supporting the capital programme in line with the Council's usual practice for one-off funding. The funds would support the subsidy required for the housing units as part of the 1000 Affordable Home Programme (AHP). The capital programme was ambitious, with risks relating to funding and delivery highlighted given inflation rates, building costs and the overall requirements in managing the capital programme, however mitigating measures were in place.

In response to a question, the Director of Finance, Resources and Business Improvement confirmed that using the Funding Guarantee to support the delivery of the 1000 AHP would not impact revenue spending, as the Council had identified the savings required to produce a balanced budget without reducing service provision.

RESOLVED: That the risk assessment of the Budget Strategy provided at Appendix A to the report, be noted.

79. INFORMATION GOVERNANCE REPORT – ANNUAL REPORT

The Head of Insight, Communities and Governance briefly introduced the annual report, outlining the matters covered within the report and appendices.

The Senior Information Governance Officer stated that the Information Governance Team (the Team) continued to deliver against an increasing volume and complexity of work; there was no backlog of requests, with good progress made on the Data Protection Action Plan. There had been an increase in contact from the public relating to single issues, and work was ongoing with the Council's departments to manage customer communications within each service area, with changes to internal processes to improve compliance.

The Local Government and Social Care Ombudsman consultation had closed in December 2023, with the outcome awaited which would likely include changes on how complaints were managed by the Team and have cost implications. The Council's finance teams had been informed in preparing for the likely changes, with a subsequent update to be presented to the Committee when appropriate.

In response to questions, the Head of Insight, Communities and Governance stated that:

- Requests from Councillors were not specifically recorded, as it was expected that Members and Officers communicated regularly and it would be a significant task to record each interaction. The Team prioritised meeting the statutory requirements associated with Freedom of Information Requests, Environmental Information Regulations and Subject Access Requests; and
- There had been no malicious contents in any of the data breaches across 2022-23 and no fines issued. The threshold for reporting data breaches was different to the threshold for issuing a fine; the latter would be expected if there was a consistent issue and/or a high impact data breach. The internal reporting procedures were outlined.

In response to questions, the Senior Information Governance Officer stated that working from Home was not impacting the number of data breaches. The increase in data breaches was likely due to the increase in work being conducted with departments to raise awareness of breaches and responding proactively.

RESOLVED: That the report be noted.

Note: Councillor Simon Webb left the meeting at 8.32 p.m.

80. INDEPENDENT MEMBER

The Director of Finance, Resources and Business Improvement introduced the report, and stated that both references had now been received for the suggested candidate. It was recommended that full Council be recommended to agree the co-option.

The committee entered into closed session at 8.42 p.m. to discuss the report appendices in further detail.

RESOLVED: That the public be excluded from the meeting for the following item of business due to the likely disclosure of exempt information for the reasons specified having applied the public interest test.

Head of Schedule 12A and Brief Description

| | |
|--------------------------------------------------------------|-----------------------------------------------|
| Item 19 – Exempt Appendix to Item 18 – Independent Member | 1 – Information relating to any individual |
|--------------------------------------------------------------|-----------------------------------------------|

During the discussion, the Committee considered the references provided and asked questions on the applicant’s job history, the appointment process followed and the relevant Human Resources policies.

The Committee returned to open session at 9.18 p.m. and recommended that the Council be recommended to co-opt the person proposed, with a six-month review period for both the co-optee and the Council.

RESOLVED: That the Council be recommended to co-opt the person proposed by the selection panel as an independent Member of the Committee, with a six-month review period for both the co-optee and the Council.

Note: Councillors Hastie and Kimmance left the meeting at 8.41 p.m. and 8.49 p.m. respectively.

81. DURATION OF MEETING

6.30 p.m. to 9.20 p.m.

From: [Oliviya Parfitt](#)
To: [Russell Fitzpatrick](#)
Cc: [Monitoring Officer \(MBC\)](#)
Subject: FW: Draft Code of Conduct
Date: 06 March 2024 13:48:10
Attachments: [Code of Conduct - Jan 24 amended - clean.docx](#)
[Code of Conduct - Jan 24 amended - markup.docx](#)

Hiya,

Please see attachments and email below from Cllr Brown as Chairman of Maidstone KALC.

Kind Regards,

Oliviya Parfitt

Principal Democratic Services Officer

Maidstone Borough Council, Maidstone House, King Street, Maidstone, Kent ME15 6JQ

T 01622602032 [W www.maidstone.gov.uk](http://www.maidstone.gov.uk)

From: chairman@yaldingparishcouncil.gov.uk <chairman@yaldingparishcouncil.gov.uk>
Sent: Wednesday, March 6, 2024 1:18 PM
To: Oliviya Parfitt <OliviyaParfitt@Maidstone.gov.uk>
Cc: 'Maidstone KALC' <maidstonekalc@gmail.com>
Subject: Draft Code of Conduct

CAUTION: This email originated from outside of the organisation. Do not click links or open attachments unless you recognize the sender and know the content is safe.

Dear Oliviya

Maidstone Parishes have considered the draft and generally are in agreement with the contents.

However, the main concern was with regard to the grammar, spelling and layout and to this end, we offer you both a marked-up and clean copy of a re-draft that Parishes will be happy to sign up to.

Kind regards

Geraldine

Geraldine Brown

Chairman Yalding Parish Council

and Chairman Kent Association of Local Councils Maidstone Area

t: 01622 814222 **m:** 07815 926313 **e:** chairman@yaldingparishcouncil.gov.uk

w: www.yaldingparishcouncil.gov.uk

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D1. MEMBERS' CODE OF CONDUCT

PREAMBLE

- (A) The Code of Conduct that follows is adopted under section 27(2) of the Localism Act 2011.
- (B) The Code is based on the Seven Principles of Public Life under section 28(1) of the Localism Act 2011, which are set out in Annex 1.
- (C) This Preamble and Annex 1 do not form part of the Code, but you should have regard to them as they will help you to comply with the Code.
- (D) If you need guidance on any matter under the Code, you should seek it from the Monitoring Officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.
- (E) In accordance with section 34 of the Localism Act 2011, where you have a Disclosable Pecuniary Interest it is a criminal offence if, without reasonable excuse, you:
- (a) Fail to notify the ~~Authority's~~ Monitoring Officer of the ~~interest~~Interest before the end of 28 days beginning with the day on which you became a Member; ~~or-~~
 - (b) Fail to disclose the ~~interest~~Interest at Meetings where the ~~interest~~Interest is not entered in the ~~Authority's~~ Register of Members' Interests; ~~or-~~
 - (c) Fail to notify the ~~Authority's~~ Monitoring Officer of the ~~interest~~Interest before the end of 28 days beginning with the date of disclosure at a ~~m~~Meeting, if the ~~interest~~Interest is not entered in the ~~Authority's~~ Register of Members' Interests and is not the subject of a pending notification; ~~or-~~
 - ~~(d)~~ Take part in discussion or votes, or further discussions or votes, at Meetings on matters in which you have the ~~interest~~Interest which are being considered at the ~~m~~Meeting; ~~or-~~
 - ~~(d)~~
 - ~~(e)~~ Fail to notify the ~~Authority's~~ Monitoring Officer of the ~~interest~~Interest before the end of 28 days beginning with the date when you become aware that you have such an ~~interest~~Interest in a matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority; ~~or-~~
 - ~~(e)~~~~(f)~~ Take any step in relation to a matter being dealt with by you acting alone in the course of discharging a function of the Authority, except a step for the purpose of enabling the matter to be dealt with otherwise than by you; ~~or-~~
 - ~~(f)~~~~(g)~~ Knowingly or recklessly provide false or misleading information in any of the above disclosures or notifications.
- (F) Any written allegation received by the ~~Authority~~ Monitoring Officer that you have failed to comply with the Code will be dealt with under the arrangements adopted by ~~the Authority~~ Maidstone Borough Council for such purposes. If it is found that you have failed to comply with the Code, the ~~Authority~~ Monitoring Officer may have regard to this failure in deciding whether to take action and, if so, what action to take in relation to you.

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~~(F)~~(G) Members may like to consider ensuring that any employment contracts and contracts for services entered into by their Authority contain a prohibition against bullying, harassment and intimidation of Members or employees of the Authority.

THE CODE

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1. Interpretation**1.1.** In this Code:

"Associated Person" means (either in the singular or in the plural):

- (a) a family member or any other person or body with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- ~~(e)~~ any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of
- (c) £25,000; or
- (d) any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- (e) any body in respect of which you are in a position of general control or management which:
 - (i) exercisesing functions of a public nature; or
 - (ii) directed to charitable purposes; or
 - (iii) ~~one of whose~~ has a principal key purposes to ~~includes the~~ influence of public opinion or policy (including any political party or trade union).

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"Authority" means Maidstone Borough Council or a Parish Council of Maidstone Borough, whichever has adopted this Code for its own use.

"Authority Function" means any one or more of the following interests that relate to the functions of the Authority:

- (a) housing - where you are a tenant of the Authority provided ~~that~~ those functions do not relate particularly to your tenancy or lease; or
- (b) school meals or school transport and travelling expenses - where you are a parent or guardian of a child in full time education, ⁷ or are a parent governor of a school, provided those functions do not relate particularly unless it relates particularly to the school which your child attends; ~~or~~
- (c) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - provided those functions do not relate to a situation where you are in receipt of, or are entitled to the receipt of, such pay; ~~or~~
- (d) an allowance, payment⁴ or indemnity given to Members of the

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Authority; or

- (e) any ceremonial honour given to Members of the Authority; or
- (f) setting council tax or a precept under the Local Government Finance Act 1992.

“Authority’s Area” means that geographical area over which the Authority has administrative powers assigned by central government.

“Authority’s Procedure Rules” means those rules of procedure adopted by the Authority to be applied in that particular situation.

“Code” means this Code of Conduct.

“Co-opted Member” means a person who is not an elected Member of the Authority but is co-opted in accordance with relevant regulations or who is a member of:

- (a) any Committee or Sub-Committee of the Authority, or
- (b) ~~and~~ represents the Authority on ~~any~~ joint committee or joint sub-committee of the Authority; ~~and~~ or
- (c) who is entitled to vote on any question that falls to be decided at any Meeting.

“Disclosable Pecuniary Interest” means those interests of a description specified in regulations made by the Secretary of State (as amended from time to time) as set out in Annex 2 and where either it is:

- (a) your interest; or
- (b) an interest of a person defined in paragraph (a) of the definition of Associated Person, ~~your spouse or civil partner, a person with whom you are living as husband and wife, or a person with whom you are living as if you were civil partners and provided you are aware that the other person has the interest.~~

“Interests” means any Disclosable Pecuniary Interest ~~ors~~ ~~and~~ Other Significant Interests ~~and~~ “Interests” means all Disclosable Pecuniary Interests and Other Significant Interests.

“Meeting” means any meeting of:

- (a) the Authority;
- (b) any of the Authority's committees, sub-committees, joint committees and/or joint sub-committees.

“Member” means a person who is an elected Member of the Authority and includes a Co-opted Member ~~means a person who is an elected Member of the Authority and includes a Co-opted Member.~~

“Monitoring Officer” means that senior officer of Maidstone Borough Council with the responsibility to administer and, as necessary, enforce this Code.

“Other Significant Interest” means an interest (other than a Disclosable Pecuniary Interest or an interest in an Authority Function) in any business of the

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Authority which:

- (a) may reasonably be regarded as affecting the financial position of yourself and/or an Associated Person to a greater extent than the majority of:—

- (i) other council tax payers, ratepayers or inhabitants of the

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~~(ii)(i) electoral division or ward, as the case may be, Authority's Area~~ affected by the decision; or

~~(iii)(ii)~~ (in other cases) other council tax payers, ratepayers or inhabitants of the Authority's Area; or

(b) relates to the determination of your application (whether made by you alone or jointly or on your behalf) for any approval, consent, licence, permission or registration or that of an Associated Person;

and where, in either case, a member of the public with knowledge of the relevant facts would reasonably regard the interest as being so significant that it is likely to prejudice your judgement of the public interest.

"Register of Members' Interests" means ~~the Authority's Maidstone Borough Council's~~ register of Disclosable Pecuniary Interests established and maintained by the Monitoring Officer under section 29 of the Localism Act 2011.

"Sensitive Interest" means information, the details of which, if disclosed, could lead to you or an Associated Person connected with you being subject to violence or intimidation.

2. Scope

2.1. You must comply with this Code whenever you act in your capacity as a Member ~~or Co-opted Member~~ of the Authority.

2.2. This Code applies to all forms of communication and interaction including social media.

3. General Obligations

3.1. You must, when using or authorising ~~the others to use by others of~~ the resources of the Authority:

- 3.1.1. act in accordance with the Authority's reasonable requirements; and
- 3.1.2. ensure that such resources are not used improperly for political purposes (including party political purposes).

3.2. You must not:

3.2.1. bully any person or carry out any act of harassment. For the purposes of this paragraph bullying and harassment shall be construed as follows:-

- (a) ~~the Advisory, Conciliation and Arbitration Service (ACAS)~~ characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Their website contains examples;
- (b) harassment will have the meaning set out in The Protection from Harassment Act 1997 and other relevant legislation:-

3.2.2. intimidate or attempt to intimidate any person who is or is likely to be a complainant, a witness, or involved in the administration of any investigation or proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with this Code;

3.2.3. do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the

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Authority;

3.2.4. disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:

- (a) you have the written consent of a person authorised to give it; or
- (b) you are required by law to do so; or
- (c) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees in writing not to disclose the information to any other person; or the disclosure is
 - (i) reasonable and in the public interest as would be judged by a reasonable person; and
 - (ii) made in good faith and in compliance with the reasonable requirements of the Authority;

3.2.5. disclose information which is exempt information within the meaning of Part VA Local Government Act 1972 or The Local Authorities (Executive Arrangements) (Meetings and Access to Information) (England) Regulations 2012;

3.2.6. prevent another person from gaining access to information to which that person is entitled by law;

3.2.7. conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute; or

3.2.8. use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.

3.3. ~~Where you have not undertaken training relating to conduct matters, you shall not be able to use this as a defence where a complaint has been made.~~

3.4. ~~You must co-operate with any Code of Conduct investigation and/or determination initiated by the Monitoring Officer arising from this Code.~~

4. Registering Disclosable Pecuniary Interests

4.1. You must, before the end of 28 days beginning with the day you become a Member ~~or Co-opted Member~~ of the Authority, or before the end of 28 days beginning with the day on which this Code takes effect (whichever is the later), notify the Monitoring Officer of any Disclosable Pecuniary Interest.

4.2. In addition, you must, before the end of 28 days beginning with the day you become aware of any new Disclosable Pecuniary Interest or change to any such interest ~~Interest~~ already registered, register details of that new interest ~~Interest~~ or change, by providing written notification to the Monitoring Officer.

~~4.2.~~ **4.3.** Where you have a Disclosable Pecuniary Interest in any matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority (including making a decision in relation to the matter), then if the interest ~~Interest~~ is not registered in the Register of Members’ Interests and is not the subject of a pending notification, you must notify the

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Monitoring Officer before the end of 28 days beginning with the day you become aware of the existence of the ~~interest~~Interest.

5. Declaring Interests

5.1. Whether or not a Disclosable Pecuniary Interest has been entered onto the Register of Members' Interests or is the subject of a pending notification, you must comply with the disclosure procedures set out below.

5.2. Where you are present at a ~~m~~Meeting and have an Interest ~~Disclosable Pecuniary Interest or Other Significant Interest~~ in any matter to be considered, or being considered, at the ~~m~~Meeting, you must:

5.2.1. disclose the Interest; and

5.2.2. explain the nature of that Interest at the commencement of that consideration or when the Interest becomes apparent (subject to paragraph 6, below); ~~and but unless you have been granted a dispensation or are acting under~~subject to paragraph 5(4); ~~and~~

5.2.3. not participate in any discussion of, or vote taken on, the matter at the Meeting; and

5.2.4. withdraw from the room where the Meeting is being held or leave the remote session if you have joined remotely, in accordance with the Authority's Procedure Rules whenever it becomes apparent that the ~~business~~matter is being considered; and

5.2.5. not seek improperly to influence a decision about that ~~business~~matter.

5.3. Where you have a Disclosable Pecuniary Interest or Other Significant Interest in any business of the Authority where you are acting alone in the course of discharging a function of the Authority, (including making an executive decision), you must:

5.3.1. notify the Monitoring Officer of the ~~i~~Interest and its nature as soon as it becomes apparent; and

5.3.2. not take any steps, or any further steps, in relation to the matter except for the purpose of enabling the matter to be dealt with otherwise than by you; and

5.3.3. not seek improperly to influence a decision about the matter.

5.4. Where you have an Other Significant Interest in any business of the Authority, you may attend a Meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the Meeting for the same purpose. Having made your representations, given evidence or answered questions you must:

5.4.1. not participate in any discussion of, or vote taken on, the matter at the Meeting; and

5.4.2. withdraw from the room where the Meeting is being held or leave the remote session if you have joined remotely, ~~the Meeting room~~ in accordance with the Authority's Procedure Rules.

6. Sensitive Interests

6.1. Where you consider that the information relating to any of your Disclosable

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Pecuniary Interests is a Sensitive Interest, and the Monitoring Officer agrees, the Monitoring Officer will not include details of the Sensitive Interest on any copies of the Register of Members’ Interests which are made available for inspection or any published version of ~~the Register~~such, but may include a statement that you have an ~~interest~~Interest, the details of which are withheld under this paragraph.

6.2. You must, before the end of 28 days beginning with the day you become aware of any change of circumstances which means that ~~information~~details excluded under paragraph 6.1 ~~is~~are no longer a Sensitive Interest, notify the Monitoring Officer asking that the ~~information~~details be included in the Register of Members’ Interests.

~~6.3.~~ The rules relating to disclosure of Interests in paragraphs 5.2 and 5.3 will apply, save that you will not be required to disclose the nature of the_

Sensitive Interest, but merely the fact that you hold an ~~interest~~Interest in the matter under discussion.

7. Gifts & Hospitality

7.1. You must, before the end of 28 days beginning with the day of receipt/acceptance, notify the Monitoring Officer of any gift, benefit or hospitality with an estimated value of £100 or more, or a series of gifts, benefits and hospitality from the same or an associated source, with an estimated cumulative value of £100 or more, which are received and accepted by you (in any ~~one calendar year~~rolling twelve months' period) in the conduct of the business of the Authority, the business of the office to which you have been elected or appointed or when you are acting as representative of the Authority. You must also register the source of the gift, benefit or hospitality.

7.2. Where any gift, benefit or hospitality you have received or accepted relates to any matter to be considered, or being considered, at a Meeting, you must disclose at the commencement of the Meeting or when that ~~interest~~relationship becomes apparent, the existence and nature of the gift, benefit or hospitality, the person or body who gave it to you and how the ~~business matter~~ under consideration relates to that person or body. You may participate in the discussion of the matter and in any vote taken on the matter, unless you have an Other Significant Interest, in which case the procedure in paragraph 5 above will apply.

7.3. You must continue to disclose the existence and nature of the gift, benefit or hospitality at a relevant Meeting, for 3 years from the date you first registered the gift, benefit or hospitality.

7.4. The duty to notify the Monitoring Officer does not apply where the gift, benefit or hospitality comes within any description approved by the Authority for this purpose.

8. Dispensation

~~8.1.~~ The Audit, Governance and Standards Committee, or any sub-committee of ~~it that Committee ("AGS")~~, or the Monitoring Officer (where authorized ~~by AGS~~) may,

~~on a written request made to the Monitoring Officer (as appointed Proper Officer for the receipt of applications for dispensation)~~ by a Member with

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an Interest, grant a dispensation relieving the Member from either or both of the restrictions on participating in discussions and in voting (referred to in paragraph 5 above).

~~8.2.3.1.~~ 8.1. A dispensation may be granted only if, after having had regard to all relevant circumstances, ~~the Audit, Governance and Standards Committee, its sub-committee, AGS~~ or the Monitoring Officer (where authorized by AGS) considers that:

~~8.2.1.8.1.1.~~ 8.1.1. ~~_____~~ without the dispensation the number of ~~persons~~ Members prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business; or

~~8.2.2.8.1.2.~~ 8.1.2. ~~_____~~ without the dispensation, the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business, but only if such political groups are a recognised and active in the conduct of such business; or

~~8.2.3.8.1.3.~~ 8.1.3. ~~_____~~ granting the dispensation is in the interests of persons living in the Authority's ~~a~~Area; or

~~8.2.4.8.1.4.~~ 8.1.4. ~~_____~~ without the dispensation each member of the Authority's executive (if an executive body exists) would be prohibited from participating in any particular business to be transacted by ~~that~~ the Authority's executive; or

~~8.2.5.8.1.5.~~ 8.1.5. ~~_____~~ it is otherwise appropriate to grant a dispensation.

~~8.3.8.2.~~ 8.2. A dispensation must specify the period for which it has effect; and the period specified may not exceed four years.

~~8.4.8.3.~~ 8.3. Paragraph 5 above does not apply in relation to anything done for the purpose of deciding whether to grant a dispensation under this paragraph 8.

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ANNEX 1

THE SEVEN PRINCIPLES OF PUBLIC LIFE

Annex 1: Nolan Principle

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In accordance with the Localism Act 2011, and in order to help maintain public confidence in this Authority, you are committed to behaving in a manner that is consistent with the following principles. However, it should be noted that these Principles do not create statutory obligations for Members and do not form part of the Code. It follows from this that the Authority cannot accept allegations that they have been breached. The definitions of the Principles are as below, or as set out on the website of the Committee on Standards in Public Life.

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SELFLESSNESS: Holders of public office should act solely in terms of the public interest.

INTEGRITY: Holders of public office must avoid placing themselves under any obligation to people or organisations that might try inappropriately to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

OBJECTIVITY: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

ACCOUNTABILITY: Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

OPENNESS: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

HONESTY: Holders of public office should be truthful.

LEADERSHIP: Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

ANNEX 2

DISCLOSABLE PECUNIARY INTERESTS

~~**Annex 2: Disclosable Pecuniary Interests**~~

Disclosable Pecuniary Interests, as prescribed by regulations, are as follows:

The descriptions on Disclosable Pecuniary Interests are subject to the following definitions:

“the Act” means the Localism Act 2011;

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest;

“director” includes a member of the committee of management of an industrial and provident society;

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income;

~~“M” means a Member of the relevant authority~~

“Member” means a Member of the relevant authority and includes a co-opted member;

“relevant authority” means the authority of which the person is a Member;

“relevant period” means the period of 12 months ending with the day on which the Member gives a notification for the purposes of section 30(1), or section 31(7), as the case may be, of the Act;

“relevant person” means the Member or any other person referred to in section 30(3)(b) of the Act (the Member’s spouse, civil partner, or somebody with whom the Member are-is living as a husband or wife, or as if they were civil partners);

“securities” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

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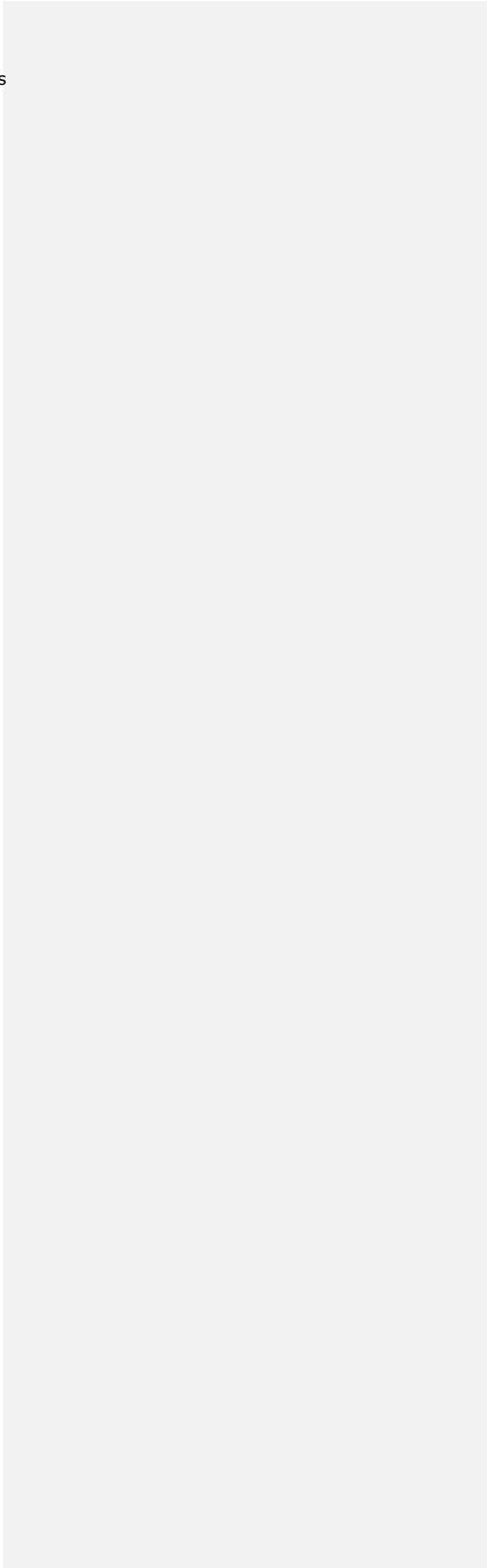
| Interest | Description |
|---------------------------------------------------|--------------------------------------------------------------------------------------|
| Employment, office, trade, profession or vocation | Any employment, office, trade, profession or vocation carried on for profit or gain. |

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| Sponsorship | <p>Any payment or provision of any other financial benefit (other than from the relevant aAuthority) made or provided within the relevant period in respect of any expenses incurred by the Member in carrying out duties as a Mmember, or towards the election expenses of the Member.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p> |
| Contracts | <p>Any contract which is made between the relevant personMember (or a body in which the relevant personMember has a beneficial interest) and the relevant aAuthority:</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p> |
| Land | Any beneficial interest in land which is within the Authority's Area area of the relevant authority . |
| Licences | Any licence (alone or jointly with others) to occupy land in the area of the relevant a Authority's Area for a month or longer. |

| Interest | Description |
|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Corporate tenancies | <p>Any tenancy where (to the Member's knowledge):</p> <p>(a) the landlord is the relevant aAuthority; and</p> <p>(b) the tenant is a body in which the relevant personMember has a beneficial interest.</p> |
| Securities | <p>Any beneficial interest in securities of a body where:</p> <p>(a) that body (to the Member's knowledge) has a place of business or land in the area of the relevant aAuthority's Area; and</p> <p>(b) either</p> <p>(i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or</p> <p>(ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant personMember has a beneficial interest exceeds one hundredth of the total issued share capital of that class.</p> |



~~261~~

D1. MEMBERS' CODE OF CONDUCT

PREAMBLE

- (A) The Code of Conduct that follows is adopted under section 27(2) of the Localism Act 2011.
- (B) The Code is based on the Seven Principles of Public Life under section 28(1) of the Localism Act 2011, which are set out in Annex 1.
- (C) This Preamble and Annex 1 do not form part of the Code, but you should have regard to them as they will help you to comply with the Code.
- (D) If you need guidance on any matter under the Code, you should seek it from the Monitoring Officer or your own legal adviser – but it is entirely your responsibility to comply with the provisions of this Code.
- (E) In accordance with section 34 of the Localism Act 2011, where you have a Disclosable Pecuniary Interest it is a criminal offence if, without reasonable excuse, you:
- (a) Fail to notify the Authority's Monitoring Officer of the ~~Interest interest~~ before the end of 28 days beginning with the day on which you became a Member.
 - (b) Fail to disclose the ~~Interest interest~~ at Meetings where the interest is not entered in the ~~Authority's r~~Register of Members' Interests.
 - (c) Fail to notify the Authority's Monitoring Officer of the ~~Interest interest~~ before the end of 28 days beginning with the date of disclosure at a ~~m~~Meeting, if the ~~Interest interest~~ is not entered in the ~~Authority's r~~Register of Members' Interests and is not the subject of a pending notification.
 - (d) Take part in discussion or votes, or further discussions or votes, at Meetings on matters in which you have the ~~Interest interest~~ which are being considered at the ~~m~~Meeting.
 - (e) Fail to notify the ~~Authority's~~ Monitoring Officer of the ~~Interest~~

~~interest~~ before the end of 28 days beginning with the date when you become aware that you have such an interest in a matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority.

- (f) Take any step in relation to a matter being dealt with by you acting alone in the course of discharging a function of the Authority, except a step for the purpose of enabling the matter to be dealt with otherwise than by you.
 - (g) Knowingly or recklessly provide false or misleading information in any of the above disclosures or notifications.
- (F) Any written allegation received by the ~~Monitoring Officer Authority~~ that you have failed to comply with the Code will be dealt with under the arrangements adopted by the Authority for such purposes. If it is found that you have failed to comply with the Code, the ~~Monitoring Officer Authority~~ may have regard to this failure in deciding whether to take action and, if so, what action to take in relation to you.

THE CODE

1. Interpretation

1.1. In this Code:

“Associated Person” means (either in the singular or in the plural):

- (a) a family member or any other person or body with whom you have a close association, including your spouse, civil partner, or somebody with whom you are living as a husband or wife, or as if you are civil partners; or
- (b) any person or body who employs or has appointed such persons, any firm in which they are a partner, or any company of which they are directors; or
- (c) any person or body in whom such persons have a beneficial interest in a class of securities exceeding the nominal value of £25,000; or

- (d) any body of which you are in a position of general control or management and to which you are appointed or nominated by the Authority; or
- (e) any body in respect of which you are in a position of general control or management which:
- (i) exercises exercising functions of a public nature; or
 - (ii) is directed to charitable purposes; or
 - (iii) has a one of whose principal purposes to includes the influence of public opinion or policy (including any political party or trade union).

“Authority” means Maidstone Borough Council.

“Authority Function” means any one or more of the following interests that relate to the functions of the Authority:

- (a) housing - where you are a tenant of the Authority provided that those functions do not relate particularly to your tenancy or lease; or
- (b) school meals or school transport and travelling expenses - where you are a parent or guardian of a child in full time education, or are a parent governor of a school, unless it relates particularly to the school which your child attends; or
- (c) statutory sick pay under Part XI of the Social Security Contributions and Benefits Act 1992 - where you are in receipt of, or are entitled to the receipt of, such pay; or
- (d) an allowance, payment or indemnity given to Members of the Authority; or
- (e) any ceremonial honour given to Members of the Authority; or
- (f) setting council tax or a precept under the Local Government Finance Act 1992.

“Code” means this Code of Conduct.

“Co-opted Member” means a non-elected individual who has been appointed by the Authority to serve as a member ~~a person who is not an elected Member of the Authority but who is a member of:~~

~~any Committee or Sub-Committee of the Authority, or~~

~~and represents the Authority on, any joint committee or joint sub-committee of the Authority; and~~

~~who is entitled to vote on any question that falls to be decided at any Meeting.~~

“Disclosable Pecuniary Interest” means those interests of a description specified in regulations made by the Secretary of State (as amended from time to time) as set out in Annex 2 and where either it is:

- (a) your interest; or
- (b) an interest of your spouse or civil partner, a person with whom you are living as husband and wife, or a person with whom you are living as if you were civil partners and provided you are aware that the other person has the interest.

and the word “DPI” shall be construed accordingly.

“Interests” means any Disclosable Pecuniary Interest ~~s or and~~ Other Significant Interests.

“Meeting” means any meeting of:

- (a) the Authority;
- (b) the executive of the Authority;
- (c) any of the Authority's committees, sub-committees, joint committees and/or joint sub-committees.

“Member” means a person who is an elected Member of the Authority and includes a Co-opted Member.

“Other Significant Interest” means an interest (other than a Disclosable Pecuniary Interest or an interest in an Authority Function) in

any business of the Authority which:

- (a) may reasonably be regarded as affecting the financial position of yourself and/or an Associated Person to a greater extent than the majority of: -
 - (i) other council tax payers, ratepayers or inhabitants of the electoral division or ward, as the case may be, affected by the decision; or
 - (ii) (in other cases) other council tax payers, ratepayers or inhabitants of the Authority's area; or
- (b) relates to the determination of your application (whether made by you alone or jointly or on your behalf) for any approval, consent, licence, permission or registration or that of an Associated Person;

and where, in either case, a member of the public with knowledge of the relevant facts would reasonably regard the interest as being so significant that it is likely to prejudice your judgement of the public interest.

“Register of Members’ Interests” means the Authority's register of Disclosable Pecuniary Interests established and maintained by the Monitoring Officer under section 29 of the Localism Act 2011.

“Sensitive Interest” means information, the details of which, if disclosed, could lead to you or a person connected with you being subject to violence or intimidation.

2. Scope

2.1. You must comply with this Code whenever you act in your capacity as a Member or Co-opted Member of the Authority.

2.2. [This Code applies to all forms of communication and interaction including social media.](#)

3. General Obligations

3.1. You must, when using or authorising ~~the others to use by others of~~ the

resources of the Authority:

3.1.1. act in accordance with the Authority’s reasonable requirements;

and

3.1.2. ensure that such resources are not used improperly for political purposes (including party political purposes).

3.2. You must not:

3.2.1. bully any person or carry out any act of harassment. For the purposes of this paragraph bullying and harassment shall be construed as follows:-

(a) the Advisory, Conciliation and Arbitration Service (ACAS) characterises bullying as offensive, intimidating, malicious or insulting behaviour, an abuse or misuse of power through means that undermine, humiliate, denigrate or injure the recipient. Their website contains examples;

(b) harassment will have the meaning set out in The Protection from Harassment Act 1997 and other relevant legislation.

3.2.2. intimidate or attempt to intimidate any person who is or is likely to be a complainant, a witness, or involved in the administration of any investigation or proceedings, in relation to an allegation that a Member (including yourself) has failed to comply with this Code;

3.2.3. do anything that compromises, or is likely to compromise, the impartiality or integrity of those who work for, or on behalf of, the Authority;

3.2.4. disclose information given to you in confidence by anyone, or information acquired by you which you believe, or ought reasonably to be aware, is of a confidential nature, except where:

(a) you have the written consent of a person authorised to give it; or

- (b) you are required by law to do so; or
 - (c) the disclosure is made to a third party for the purpose of obtaining professional advice provided that the third party agrees in writing not to disclose the information to any other person; or the disclosure is
 - (i) reasonable and in the public interest; and
 - (ii) made in good faith and in compliance with the reasonable requirements of the Authority;
- 3.2.5. [disclose information which is exempt information within the meaning of Part VA Local Government Act 1972 or The Local Authorities \(Executive Arrangements\) \(Meetings and Access to Information\) \(England\) Regulations 2012;](#)
- 3.2.6. prevent another person from gaining access to information to which that person is entitled by law;
- 3.2.7. conduct yourself in a manner which could reasonably be regarded as bringing your office or the Authority into disrepute; or
- 3.2.8. use or attempt to use your position as a Member improperly to confer on or secure for yourself or any other person, an advantage or disadvantage.
- 3.3 [Where you have not undertaken training relating to conduct matters, you shall not be able to use this as a defence where a complaint has been made.](#)
- 3.4 [You must co-operate with any Code of Conduct investigation initiated by the Monitoring Officer and/or their determination.](#)

4. Registering Disclosable Pecuniary Interests

- 4.1.** You must, before the end of 28 days beginning with the day you become a Member ~~or Co-opted Member~~ of the Authority, or before the end of 28 days beginning with the day on which this Code takes effect (whichever is the later), notify the Monitoring Officer of any Disclosable Pecuniary

Interest.

- 4.2.** In addition, you must, before the end of 28 days beginning with the day you become aware of any new Disclosable Pecuniary Interest or change to any ~~DPI interest~~ already registered, register details of that new ~~DPI interest~~ or change, by providing written notification to the Monitoring Officer.
- 4.3.** Where you have a Disclosable Pecuniary Interest in any matter to be dealt with, or being dealt with, by you acting alone in the course of discharging a function of the Authority (including making a decision in relation to the matter), then if the ~~DPI interest~~ is not registered in the Register of Members' Interests and is not the subject of a pending notification, you must notify the Monitoring Officer before the end of 28 days beginning with the day you become aware of the existence of the ~~DPI interest~~.

5. Declaring Interests

- 5.1.** Whether or not a Disclosable Pecuniary Interest has been entered onto the Register of Members' Interests or is the subject of a pending notification, you must comply with the disclosure procedures set out below.
- 5.2.** Where you are present at a meeting and have ~~an Interest Disclosable Pecuniary Interest or Other Significant Interest~~ in any ~~business matter~~ to be considered, or being considered, at the ~~m~~Meeting, you must:
- 5.2.1. disclose the Interest; and
 - 5.2.2. explain the nature of that Interest at the commencement of that consideration or when the Interest becomes apparent (subject to paragraph 6~~7~~ below); and
- ~~unless you have been granted a dispensation or are acting under para 5(4):~~
- 5.2.3. not participate in any discussion of, or vote taken on, the matter at the Meeting; and
 - 5.2.4. withdraw from the Meeting ~~room in accordance with the Authority's Procedure Rules~~ whenever it becomes apparent that

the business is being considered; and

5.2.5. not seek improperly to influence a decision about that business.

5.3. Where you have ~~an Interest Disclosable Pecuniary Interest or Other Significant Interest~~ in any business of the Authority where you are acting alone in the course of discharging a function of the Authority (including making an executive decision), you must:

5.3.1. notify the Monitoring Officer of the interest and its nature as soon as it becomes apparent; and

5.3.2. not take any steps, or any further steps, in relation to the matter except for the purpose of enabling the matter to be dealt with otherwise than by you; and

5.3.3. not seek improperly to influence a decision about the matter.

5.4. Where you have an Other Significant Interest in any business of the Authority, you may attend a Meeting but only for the purpose of making representations, answering questions or giving evidence relating to the business, provided that the public are also allowed to attend the Meeting for the same purpose. Having made your representations, given evidence or answered questions you must:

5.4.1. not participate in any discussion of, or vote taken on, the matter at the Meeting; and

5.4.2. withdraw from the Meeting ~~room in accordance with the Authority's Procedure Rules~~.

6. Sensitive Interests

6.1. Where you consider that the information relating to any of your Disclosable Pecuniary Interests is a Sensitive Interest, and the Monitoring Officer agrees, the Monitoring Officer will not include details of the Sensitive Interest on any copies of the Register of Members' Interests which are made available for inspection or any published version of the Register, but may include a statement that you have ~~an DPI interest~~, the details of which are withheld under this paragraph.

6.2. You must, before the end of 28 days beginning with the day you become

aware of any change of circumstances which means that ~~the details information~~ excluded under paragraph 6.1 ~~are is~~ no longer a Sensitive Interest, notify the Monitoring Officer asking that the ~~details information~~ be included in the Register of Members’ Interests.

- 6.3.** The rules relating to disclosure of Interests in paragraphs 5.2 and 5.3 will apply, save that you will not be required to disclose the nature of the Sensitive Interest, but merely the fact that you hold an ~~i~~Interest in the matter under discussion.

7. Gifts & Hospitality

- 7.1.** You must, before the end of 28 days beginning with the day of receipt/acceptance, notify the Monitoring Officer of any gift, benefit or hospitality with an estimated value of £100 or more, or a series of gifts, benefits and hospitality from the same or an associated source, with an estimated cumulative value of £100 or more, which are received and accepted by you (in any ~~rolling twelve month period~~ ~~one calendar year~~) in the conduct of the business of the Authority, the business of the office to which you have been elected or appointed or when you are acting as representative of the Authority. You must also register the source of the gift, benefit or hospitality.
- 7.2.** Where any gift, benefit or hospitality you have received or accepted relates to any matter to be considered, or being considered at a Meeting, you must disclose at the commencement of the Meeting or when the interest becomes apparent, the existence and nature of the gift, benefit or hospitality, the person or body who gave it to you and how the business under consideration relates to that person or body. You may participate in the discussion of the matter and in any vote taken on the matter, unless you have an Other Significant Interest, in which case the procedure in paragraph 5 above will apply.
- 7.3.** You must continue to disclose the existence and nature of the gift, benefit or hospitality at a relevant Meeting, for 3 years from the date you first registered the gift, benefit or hospitality
- 7.4.** The duty to notify the Monitoring Officer does not apply where the gift, benefit or hospitality comes within any description approved by the

Authority for this purpose.

8. Dispensation

8.1. ~~The Audit, Governance and Standards Committee, or any sub-committee of that Committee, or the~~ Monitoring Officer ~~(where authorized)~~ may, on a written request made to the Monitoring Officer ~~(as appointed Proper Officer for the receipt of applications for dispensation)~~ by a Member with an Interest, grant a dispensation relieving the Member from either or both of the restrictions on participating in discussions and in voting (referred to in paragraph 5 above).

8.2. A dispensation may be granted only if, after having had regard to all relevant circumstances, ~~the Audit, Governance and Standards Committee, its sub-committee, or~~ the Monitoring Officer ~~where authorized~~ considers that:

8.2.1. without the dispensation the number of ~~Members~~ persons prohibited from participating in any particular business would be so great a proportion of the body transacting the business as to impede the transaction of the business; or

8.2.2. without the dispensation, the representation of different political groups on the body transacting any particular business would be so upset as to alter the likely outcome of any vote relating to the business; or

8.2.3. granting the dispensation is in the interests of persons living in the Authority's area; or

8.2.4. without the dispensation each member of the Authority's executive would be prohibited from participating in any particular business to be transacted by the Authority's executive; or

8.2.5. it is otherwise appropriate to grant a dispensation.

8.3. A dispensation must specify the period for which it has effect, and the period specified may not exceed four years.

8.4. Paragraph 5 above does not apply in relation to anything done for the

purpose of deciding whether to grant a dispensation under this paragraph

8.

ANNEX 1**THE SEVEN PRINCIPLES OF PUBLIC LIFE*****Annex 1: Nolan Principle***

In accordance with the Localism Act 2011, and in order to help maintain public confidence in this Authority, you are committed to behaving in a manner that is consistent with the following principles. However, it should be noted that these Principles do not create statutory obligations for Members and do not form part of the Code. It follows from this that the Authority cannot accept allegations that they have been breached. [The definitions of the Principles are as below, or as set out on the website of the Committee on Standards in Public Life.](#)

SELFLESSNESS: Holders of public office should act solely in terms of the public interest.

INTEGRITY: Holders of public office must avoid placing themselves under any obligation to people or organisations ~~that might try inappropriately~~ to influence them in their work. They should not act or take decisions in order to gain financial or other material benefits for themselves, their family, or their friends. They must declare and resolve any interests and relationships.

OBJECTIVITY: Holders of public office must act and take decisions impartially, fairly and on merit, using the best evidence and without discrimination or bias.

ACCOUNTABILITY: Holders of public office are accountable to the public for their decisions and actions and must submit themselves to the scrutiny necessary to ensure this.

OPENNESS: Holders of public office should act and take decisions in an open and transparent manner. Information should not be withheld from the public unless there are clear and lawful reasons for so doing.

HONESTY: Holders of public office should be truthful.

LEADERSHIP: Holders of public office should exhibit these principles in their own behaviour. They should actively promote and robustly support the principles and be willing to challenge poor behaviour wherever it occurs.

ANNEX 2

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~~*Annex 2: Disclosable Pecuniary Interests*~~

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The descriptions on Disclosable Pecuniary Interests are subject to the following definitions:

“the Act” means the Localism Act 2011

“body in which the relevant person has a beneficial interest” means a firm in which the relevant person is a partner or a body corporate of which the relevant person is a director, or in the securities of which the relevant person has a beneficial interest

“director” includes a member of the committee of management a registered society within the meaning given by section 1(1) of the Co-operative and Community Benefit Societies Act 2014, other than a society registered as a credit union of an industrial and provident society

“land” excludes an easement, servitude, interest or right in or over land which does not carry with it a right for the relevant person (alone or jointly with another) to occupy the land or to receive income

“M” means a Member of the relevant authority

“member” includes a co-opted member

“relevant authority” means the authority of which M is a Member

“relevant period” means the period of 12 months ending with the day on which M gives a notification for the purposes of section 30(1), or section 31(7), as the case may be, of the Act

“relevant person” means M or any other person referred to in section 30(3)(b) of the Act (namely M’s the Member’s spouse or , civil partner, or a

~~person somebody with whom M is they are living as if they were a married couple a husband or wife, or as if they were civil partners).~~

“**securities**” means shares, debentures, debenture stock, loan stock, bonds, units of a collective investment scheme within the meaning of the Financial Services and Markets Act 2000 and other securities of any description, other than money deposited with a building society.

| Interest | Description |
|---------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Employment, office, trade, profession or vocation | Any employment, office, trade, profession or vocation carried on for profit or gain. |
| Sponsorship | <p>Any payment or provision of any other financial benefit (other than from the relevant authority) made or provided within the relevant period in respect of any expenses incurred by M in carrying out duties as a member, or towards the election expenses of M.</p> <p>This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992.</p> |
| Contracts | <p>Any contract which is made between the relevant person (or a body in which the relevant person has a beneficial interest) and the relevant authority:</p> <p>(a) under which goods or services are to be provided or works are to be executed; and</p> <p>(b) which has not been fully discharged.</p> |
| Land | Any beneficial interest in land which is within the area of the relevant authority. |

| | |
|---------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Licences | Any licence (alone or jointly with others) to occupy land in the area of the relevant authority for a month or longer. |
| Corporate tenancies | Any tenancy where (to M's knowledge): (a) the landlord is the relevant authority; and (b) the tenant is a body in which the relevant person has a beneficial interest. |
| Securities | Any beneficial interest in securities of a body where: (a) that body (to M's knowledge) has a place of business or land in the area of the relevant authority; and (b) either (i) the total nominal value of the securities exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the relevant person has a beneficial interest exceeds one hundredth of the total issued share capital of that class. |

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

11 April 2024

Housing Benefit Subsidy Claim 2021-22

| | |
|---------------------------------------|----------------------------------------------------------------------|
| Will this be a Key Decision? | No |
| Urgency | Not Applicable |
| Final Decision-Maker | Audit, Governance and Standards Committee |
| Lead Head of Service | Georgia Hawkes, Director of Mid Kent Services |
| Lead Officer and Report Author | Zoe Kent, Interim Head of Mid Kent Revenues and Benefits Partnership |
| Classification | Public |
| Wards affected | All |

Executive Summary

Maidstone Borough Council pays Housing Benefit to residents on behalf of the Department for Work and Pensions (DWP).

A claim is submitted to the DWP for the recovery of the Housing Benefit paid to residents by the end of April after the end of the financial year. Before the DWP sign off the claim, a detailed audit is required to be carried out to ensure the accuracy of the claim.

The audit was undertaken by Grant Thornton to certify the Housing Benefit Subsidy claim for 2021-22. Whilst the audit identified four errors for which an adjustment had to be made, the original claim as presented by the Council was held to be 99.99% accurate.

Purpose of Report

This report is for noting only.

This report makes the following recommendation to this Committee:

1. That the findings of the Housing Benefit grant audit undertaken by Grant Thornton be noted.

Housing Benefit Subsidy Claim 2021-22

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|---------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| Impact on Corporate Priorities | In maintaining effective financial controls, the Council is able to confidently progress its priorities | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| Cross Cutting Objectives | No impact | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| Risk Management | The work undertaken by Grant Thornton provides external assurance to the Council on the effectiveness of arrangements for the accurate payment and recording of benefit expenditure. | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| Financial | The adjustments outlined have minimal impact on the net value of the Council's claim and the level of error identified does not indicate any significant underlying control weaknesses. | Section 151 Officer & Finance Team |
| Staffing | No impact | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| Legal | The Department for Work and Pensions has developed the Housing Benefit Assurance Procedure (HBAP) that provides a comprehensive guide to providing assurance of Housing Benefit subsidy claims submitted by local authorities including the testing methodology to establish a basis for the assurance and amendment of claims prior to the final submission and the provision of the tools with which to conduct the assurance engagement. | Deputy Head of Legal |

| | | |
|----------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------|
| | The Housing Benefit grant claim audit by Grant Thornton was undertaken in accordance with the HBAP procedures. | |
| Privacy and Data Protection | No impact | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| 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 impact | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| Crime and Disorder | No impact | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| Procurement | No impact. | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |
| Biodiversity and Climate Change | No impact | Zoe Kent Interim Head of Mid Kent Revenues and Benefits Partnership |

2. INTRODUCTION AND BACKGROUND

- 2.1 Each year the Housing Benefit audit process is due to be completed by 30 November, which is the deadline set by the Department for Work and Pensions (DWP).
- 2.2 Following on from the Covid pandemic, the DWP recognised there might be operational issues with external audit companies and local authorities

meeting this deadline, so offered authorities an alternative deadline of 31 January 2023.

- 2.3 Unfortunately, due to staff resource issues at Grant Thornton, the Council had to request the DWP for a further extension. The claim was signed off in March 2024.
- 2.4 External audit undertook an initial sample check of 80 Housing Benefit claims across the main areas of expenditure and identified six errors:
 - A claim was paid after a claimant had left a property.
 - A claim was assessed under the incorrect type of Housing Benefit.
 - An incorrect rent amount had been included on two claims; and
 - An incorrect amount of tax credits had been used in two claims.
- 2.5 Grant Thornton is also required to carry out testing where errors have been found in previous years.
 - Incorrect calculation of earnings and self-employed earnings.
 - The misclassification of overpayments.
 - The incorrect calculation of tax credits; and
 - The incorrect amount of Employment Support Allowance used in calculations.
- 2.6 Of the cases reviewed where claimants are in receipt of Tax Credits three cases contained errors meaning a total of £2,349 had been overpaid. One case had been underpaid by £313.
- 2.7 Of the cases reviewed where claimants are in receipt of earnings the total overpayment value was £321. The total value of underpayments was £22.
- 2.8 One error was found where a claim had not been cancelled, the value of this error was £90.
- 2.9 Of the cases found to have errors where the claimant is in receipt of Employment Support Allowance there were no overpayments of Housing Benefit.
- 2.10 Four cases were identified which had been incorrectly classified in the cells on the return. These amounts have been amended on the subsidy claim form.
- 2.11 The values of errors provided for a total adjustment of £131. This error rate suggests the original claim as presented by the Council was 99.99% accurate.
- 2.12 The Revenues and Benefits Service carried out over 50,000 benefit assessments during 2021-22 and whilst that work is undertaken with a high degree of accuracy, supported by robust quality assurance measures, a level of error is unavoidable. It is commonplace for Housing Benefit grant claims to be qualified.

2.13 Due to the number and types of errors identified, training will be carried out over the next 12 months. Staff will be reminded of the importance to ensure figures are not transposed and calculations are doubled checked to minimise errors in the future.

3. AVAILABLE OPTIONS

3.1 This report is presented for information only.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 This report is presented for information only.

5. RISK

5.1 This report is presented for information only and has no risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 This report is presented for information only with no consultation required.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 This report is presented for information only.

8. REPORT APPENDICES

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

- Appendix 1: Grant Thornton report
-

9. BACKGROUND PAPERS

None.

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Housing Benefit Unit,
Housing Delivery Division
DWP Business Finance & Housing Delivery Directorate
Room B120D
Warbreck House
Blackpool
Lancashire
FY2 0UZ

26 March 2024

Housing Benefit (Subsidy) Assurance Process 2021/22

Module 6 DWP Reporting Framework Instruction (Applicable to England only) Reporting accountants' report for the Housing Benefit Subsidy claim form MPF720A, year ended 31 March 2022

To: Housing Benefit Unit, Housing Delivery Division, DWP Business Finance & Housing Delivery Directorate, Room B120D, Warbreck House, Blackpool, Lancashire FY2 0UZ.

lawelfare.lapaymentsandsubsidy@dw.gov.uk.

And: The Section 151 Officer of Maidstone Borough Council Section 151 Officer.

This report is produced in accordance with the terms of our engagement letter with Maidstone Borough Council dated 29th June 2018 and the standardised engagement terms in Appendix 2 of HBAP Module 1 issued by the Department for Work and Pensions (DWP) for the purpose of reporting to the Section 151 Officer of Maidstone Borough Council and the DWP.

Our report is prepared solely for the confidential use of the Local Authority and the DWP and solely for the purpose of facilitating the claim for Housing Benefit Subsidy on form MPF720A dated 29th April 2022.

This report should not be copied, referred to or disclosed, in whole or in part (save as otherwise permitted by the standardised engagement terms), without our prior written consent. Without assuming or accepting any responsibility or liability in respect of this report to any party other than the local authority and the DWP, we acknowledge that the local authority and/or the DWP may be required to disclose this report to parties demonstrating a statutory right to see it.

This report is designed to meet the agreed requirements of Local Authority and the DWP as described in the DWP HBAP reporting framework instruction 2021/22

This report should not therefore be regarded as suitable to be used or relied by any other party for any purpose or in any context. Any party other than the Local Authority and the DWP which obtains access to this report or a copy and chooses to rely on this report (or any part of it) will do so entirely at its own risk. To the fullest extent permitted by law, we accept no responsibility or liability in respect of our work or this report to any other party and shall not be liable for any loss, damage or expense of whatsoever nature which is caused by the reliance of anyone other than the addressees on our work or this report.

Respective responsibilities of the Local Authority and the reporting accountant

We conducted our engagement in accordance with HBAP Modules 1 and 6 issued by the DWP, which highlight the terms under which DWP has agreed to engage with reporting accountants.

The Section 151 Officer of the Local Authority has responsibilities under the Income-related Benefits (Subsidy to Authorities) Order 1998. The section 151 Officer is also responsible for ensuring that the Local Authority maintains accounting records which disclose with reasonable accuracy, at any time, the financial position of the Local Authority. It is also the Section 151 Officer's responsibility to extract relevant financial information from the Local Authority's accounting records, obtain relevant information held by any officer of the Local Authority and complete the attached form MPF720A in accordance with the relevant framework set out by the DWP.

Our approach

For the purpose of the HBAP engagement we have been provided with a copy of form MPF720A received from the section 151 officers verifiable email address and dated 29th April 2022 by the Section 151 Officer. The Section 151 Officer remains solely responsible for the completion of the MPF720A.

Our engagement was carried out in accordance with the DWP reporting framework instruction which has been prepared in accordance with the *International Standard on Related (ISRS) 4400, Engagement to perform agreed-upon-procedures regarding financial information*. The purpose of the engagement is to perform the specific test requirements determined by the DWP on the defined sample basis as set out in HBAP Modules of the HBAP reporting framework instruction on the Local Authority's form MPF720A dated 29 April 2022, and to report the results of those procedures to the Local Authority and the DWP.

The results of these are reported on in appendices A, B, C and D.

Inherent limitations

The procedures specified in DWP's HBAP Reporting framework instruction does not constitute an examination made in accordance with generally accepted auditing standards, the objective of which would be the expression of assurance on the contents of the local authority's claim for Housing Benefit subsidy on form MPF720A. Accordingly, we do not express such assurance. Had we performed additional procedures or had we performed an audit or review of the local authority's claim for Housing Benefit subsidy on form MPF720A in accordance with generally accepted auditing or review standards, other matters might have come to our attention that would have been reported to you. This report relates only to the Local Authority's form MPF720A and does not extend to any financial statements of the Local Authority, taken as a whole.

This engagement will not be treated as having any effect on our separate duties and responsibilities as the external auditor of the Local Authority's financial statements. Our audit work on the financial statements of the Local Authority is carried out in accordance with our statutory obligations and is subject to separate terms and conditions. Our audit report on the Local Authority's financial statements is made solely to the Local Authority's members, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014. Our audit work was undertaken so that we might state to the Local Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Local Authority and the Local Authority's members, as a body, for our audit work, for our audit reports, or for the opinions we have formed in respect of that audit.

Summary of HBAP report

Summary of Initial Testing

In accordance with HBAP modules an initial sample of cases was completed for all general expenditure cells. We have re-performed a sample of the Local Authority's testing and confirm the tests we have carried out concur with the Local Authority's results:

Cell 011 Non HRA Rent Rebate Incorrect payment of benefit in period where claim should not have been paid.

Initial Testing of Cell 011 identified that in one claim the Local Authority had incorrectly paid a five period where the claimant had left the property and so benefit should have been stopped and classed as a technical overpayment, however this was not done leading to an overstatement of benefit for the case in period.

Cell 011 Non HRA Rent – incorrect classification of benefit.

Initial Testing of Cell 011 identified that in one claim the Local Authority had incorrectly paid a claim under cell 011 Non HRA rent rebates when it should have been classified as cell 094 Rent allowance.

Cell 055 HRA rent rebate.

The Council does not have any HRA Rent Rebates cases, therefore no work was required in this area.

Cell 094 Rent Allowance – Incorrect rent amounts

Initial Testing of Cell 094 identified that in two claims the Local Authority had made errors in the application of rent amounts to cases, leading to overpayments in benefits, additional testing was performed on this error in year.

Cell 094 Rent Allowance – Incorrect Tax credits amount

Initial Testing of Cell 094 identified that in two claims the Local Authority had made errors in the application of Tax credit amounts to cases, leading to overpayments in benefits. This error is covered by CAKE testing from 2020-21 and so additional testing has been completed for this error.

Cell 214 Modified Schemes

No claims were found to be in error.

Completion of Modules

The Specific Test Requirements set out in Module 1 Appendix 3 have been completed, including testing required by Modules 2 and 5 as detailed below.

Completion of Module 1 Appendix 3

- We have completed Module 1 Appendix 3 Specific test requirements; we identified that the Local authority has not got a Modified schemes policy for the year approved by full Council. This is noted as an observation in Appendix B.

Completion of Module 2

- We have tested the parameters which the authority has updated on its system against the updating checklist and no issues were identified.

Completion of Module 5

- We have completed the questionnaire for the appropriate software supplier and no issues were identified.

Summary of testing arising from Cumulative Assurance Knowledge and Experience

In line with the requirements of HBAP Modules we have undertaken CAKE testing based upon the preceding HBAP report. Where appropriate the Authority has completed testing of the sub populations for:

- Non HRA Rent Rebate Cell 011: Incorrect calculation of earnings.
- Non HRA Rent Rebate Cell 028: Misclassification of overpayments.
- Rent Allowances Cell 094: Incorrect calculation of tax credits.
- Rent Allowances Cell 094: Earned income and self-employed income calculation errors.

We have re-performed a sample of the Authority's testing and confirm the tests we have carried out concur with the Authority's results. These results are outlined in the appropriate appendix.

The following CAKE tests have returned no errors and are considered as closed:

- Non HRA Rent Rebate Cell 011: Incorrect calculation of earnings.

Summary paragraph/ending of letter.

For the form MPF720A dated 06 June 2023 for the year ended 31 March 2022 we have completed the specific test requirements detailed in the DWP reporting framework instruction HBAP and have identified the following results set out in Appendix A, B, C and D).

Firm of accountants: Grant Thornton UK LLP

Office: Fisbury Square

Contact details (person, phone, and email): Nicholas White, +442077283357, nicholas.j.white@uk.gt.com

Signature / stamp:

Date: 27 March 2023

Appendix A Exceptions/errors found.

Error Type 3 – benefit overpaid or insufficient supporting information.

Cell 094 Overpaid benefit – Incorrect calculation of tax credits

Cell Total: £32,374,777

Cell Total £4,386,149 – sub population

Cell Population: 5,974 cases

Cell Population: 880 cases – sub population

As a part of our testing in 2019/20 and 2020/21 it was identified that the Local Authority has incorrectly calculated tax credits resulting in an overpayment of benefit. During our initial testing, 2 cases (total value £10,195) where the assessment was based on Tax credits were tested and one error was identified. Two claims (values of £5,513) where tax credits had been incorrectly calculated led to an overpayment of £1.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon tax credits was tested. This additional testing identified:

One case (value of £5,885) which resulted in an Overpayment of housing benefit to a total of £2,349 in 2021/22 due to miscalculating the claimant's tax credits.

One case (value of £3,709) which resulted in an Underpayment of housing benefit to a total of £313 in 2021/22 due to miscalculating the claimant's tax credits. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

We reformed the work on six cases and agreed our results with the work performed by the client.

This is the third year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings:

| Sample | Movement / brief note of error: | Original cell total: sub population (claims with earning) | Sample error: | Sample value: | Percentage error rate (to four decimal places): | Cell adjustment: |
|---------------------------------------------|---------------------------------------------------|-----------------------------------------------------------|---------------|---------------|-------------------------------------------------|------------------|
| | | [CT] | [SE] | SV] | [SE/SV] | [SE/SV times CT] |
| Initial sample – 2 cases | Tax Credits incorrectly input / assessed Cell 102 | £4,386,149 | £1 | £10,195 | | |
| Additional testing sample – 40 cases | Tax Credits incorrectly input / assessed Cell 102 | £4,386,149 | £3,249 | £214,119 | | |
| Combined sample - 42 cases | Tax Credits incorrectly input / assessed Cell 102 | £4,386,149 | £3,251 | £224,314 | 1.4489% | £63,549 |
| Corresponding adjustment: | Combined sample - Cell 102 is overstated | | | | | £63,549 |
| | Combined sample - Cell 113 is understated | | | | | £63,549 |
| Total corresponding adjustment | Total amendment of Cell 102 and 113 | | | | | £63,549 |

Cell 094 Rent allowances: Overpaid benefit –: Earned income and self-employed income calculation errors.

Cell Total: £32,374,777

Cell Total £4,653,699– sub population

Cell Population: 5,974 cases

Cell Population: 920 cases – sub population

As a part of our testing in 2019/20 and 2020/21 it was identified that the Local Authority has incorrectly calculated earned income resulting in an overpayment of benefit. During our initial testing, 2 cases (total value £10,195) where the assessment was based on earned income were tested and no errors were identified.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases where an assessment in the subsidy period was based upon earned income or self-employed earned income was tested. This additional testing identified:

Three cases (Values of £15,525, £6,640, and £3,956) which resulted in an overpayment of housing benefit to a total of £321 in 2019/20 due to miscalculating the claimant's earned income. The errors ranged from £8 to £223.

Three cases which resulted in an Underpayment of housing benefit to a total of £22 in 2021/22 due to miscalculating the claimant's earned income. The errors ranged from £1 to £20. As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

We reformed the work on ten cases and agreed our results with the work performed by the client.

This is the third year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings:

| Sample | Movement / brief note of error: | Original cell total: sub population (claims with earning) | Sample error: | Sample value: | Percentage error rate (to four decimal places) | Cell adjustment: |
|---------------------------------------|-------------------------------------------------|-----------------------------------------------------------------|---------------|---------------|---------------------------------------------------|------------------|
| | | [CT] | [SE] | [SV] | [SE/SV] | [SE/SV X CT] |
| Initial sample – 2 cases | Incorrect Income Calculation | £4,653,699 | £0 | £10,195 | | |
| CAKE sample – 40 cases | Incorrect Income Calculation | £4,653,699 | £210 | £206,366 | | |
| Combined sample - 42 cases | Incorrect Income Calculation | £4,653,699 | £210 | £216,561 | 0.0970% | £4,513 |
| Corresponding adjustment: | Cell 102 is overstated | | | | | £2,106 |
| Corresponding adjustment: | Cell 103 is overstated | | | | | £2,407 |
| Corresponding adjustment: | Cell 113 is understated | | | | | £4,513 |
| Total corresponding adjustment | Total adjustment between cell 102 / 103 and 113 | | | | | £4,513 |

*Error Type 3 – Overpaid benefit***Cell 011 Non HRA Rent rebate – Incorrect classification of benefit type paid.****Cell Total: £1,028,328****Cell Total: £1,028,328 Sub population****Cell population 401 cases****Cell population 401 cases Sub population**

Initial Testing of Cell 011 for 2021/22 identified that in one case (Value of £5,877) the Local Authority has paid with the classification on Cell 011 Non-HRA Rent rebate, when the claim meets the requirements of being classified as cell 094 Rent allowance. This error was valued at £5,877. All this balance was classified as Cell 012 when it should be classified within cell 103.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases from the whole of the Cell 011 population was tested. This additional testing identified no further errors in period.

We reformed the work on four cases and agreed our results with the work performed by the client.

This is the first year of reporting this error. Testing will be carried forward as CAKE for 2022/23.

The following table is based on these findings.

| Sample | Movement / brief note of error: | Original cell total: sub population (claims with earning) | Sample error: | Sample value: | Percentage error rate (to four decimal places) | Cell adjustment: |
|---------------------------------------|-----------------------------------------|-----------------------------------------------------------|---------------|---------------|------------------------------------------------|------------------|
| | | [CT] | [SE] | [SV] | [SE/SV] | [SE/SV X CT] |
| Initial sample – 20 cases | Cell 012 incorrectly classified | £1,028,328 | £5,877 | £55,233 | | |
| CAKE sample – 40 cases | Cell 012 incorrectly classified | £1,028,328 | £0 | £85,638 | | |
| Combined sample – 60 cases | Cell 012 incorrectly classified | £1,028,328 | £5,877 | £140,871 | 4.1719% | £42,901 |
| Corresponding adjustment: | Cell 012 Overstated | | | | | £42,901 |
| Corresponding adjustment: | Cell 103 Understated | | | | | £42,901 |
| | | | | | | |
| Total corresponding adjustment | Total adjustment between cell 012 / 103 | | | | | £42,901 |

*Error Type 3 – Overpaid benefit***Cell 094 Rent Allowance – Incorrect Rent applied in year.****Cell Total: £32,374,777****Cell Total: £32,374,777 Sub population****Cell population 5,974 cases****Cell population 5,974 cases Sub population**

Initial Testing of Cell 094 for 2021/22 identified that in two cases (Values of £3,130, and £2,421) the Local Authority has incorrectly input the eligible rent for the case in year. These errors were valued at £1, and £54. All this balance was classified as Cell 102, and it should be transferred to Cell 113.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases from the whole of the Cell 094 population was tested. This additional testing identified one further error in period.

One case (Value £4,721) had an overstatement of £1 in cell 099 due to the incorrect rent being entered in the case. There were no other errors identified from the testing performed.

We reformed the work on five cases and agreed our results with the work performed by the client.

This is the first year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings

| Sample: | Movement/ brief note of error | Original cell total: | Sample error: | Sample value: | Percentage error rate (to four decimal places) | Cell adjustment: |
|-----------------------------------|-------------------------------------------------|-----------------------------|----------------------|----------------------|-------------------------------------------------------|-------------------------|
| | | [CT] | [SE] | [SV] | [SE/SV] | [SE/SV times CT] |
| Initial sample – 20 cases | Rent incorrectly input / assessed Cell 099 /102 | £32,374,777 | £1 | £115,271 | | |
| CAKE sample – 40 cases | Rent incorrectly input / assessed Cell 099 /102 | £32,374,777 | £1 | £204,133 | | |
| Combined sample – 60 cases | Rent incorrectly input / assessed Cell 099 /102 | £32,374,777 | £2 | £319,404 | 0.0006% | £203 |
| Corresponding adjustment: | Cell 099 Overstated | | | | | £101 |
| Corresponding adjustment | Cell 102 Overstated | | | | | £102 |
| Corresponding adjustment | Cell 113 understated | | | | | £203 |
| Corresponding adjustment: | Total adjustment of cells 099/102 and 113 | | | | | £203 |

*Error Type 3 – Overpaid benefit***Cell 011 Non HRA Rent rebate - Cancelled period of benefit paid.****Cell Total: £1,028,328****Cell Total: £1,028,328 Sub population****Cell population 401 cases****Cell population 401 cases Sub population**

Initial Testing of Cell 011 in 2021/22 identified that in one case (Value of £4,472) the Local Authority has incorrectly paid a period of benefit where the claimant had vacated the accommodation that they were staying in and had not classified this as a technical overpayment in year. This error was valued at £90. All this balance was classified as Cell 012 when it should be classified within cell 028, however as this is an error not identified by the Local authority in period the extrapolation has been applied to Cell 026.

However, given the nature of the population and the errors found in the previous claim, an additional sample of 40 cases from the whole of the Cell 011 population was tested. This additional testing identified no further errors in period.

We reformed the work on four cases and agreed our results with the work performed by the client.

This is the first year of reporting this error. Testing will be carried forward as CAKE for 2022/23

The following table is based on these findings:

| Sample: | Movement/ brief note of error | Original cell total: | Sample error: | Sample value: | Percentage error rate (to four decimal places) | Cell adjustment: |
|-----------------------------------|----------------------------------------------------|-----------------------------|----------------------|----------------------|-------------------------------------------------------|-------------------------|
| | | [CT] | [SE] | [SV] | [SE/SV] | [SE/SV times CT] |
| Initial sample – 20 cases | Cancelled period paid assessed Cell 012 overstated | £1,028,328 | £424 | £55,233 | | |
| CAKE sample – 40 cases | Cancelled period paid assessed Cell 012 overstated | £1,028,328 | £0 | £85,638 | | |
| Combined sample – 60 cases | Cancelled period paid assessed Cell 012 overstated | £1,028,328 | £424 | £140,871 | 0.3010% | £3,095 |
| Corresponding adjustment: | Cell 012 is overstated | | | | | £3,095 |
| Corresponding adjustment: | Cell 026 is overstated | | | | | £3,095 |

Appendix B Observations

Error Type 3 – Overpaid benefit

Cell 094: Rent Allowance – Incorrect amount of ESA used in calculations.

Cell Total £32,374,777

Cell Total £423,090 – sub population

Cell Population: 5,974 cases

Cell Population: 79 cases – sub population

Initial testing in 2020/21 found claims in Cell 094 that had incorrect amounts of Contribution based ESA in period leading to an overstatement of subsidy, therefore additional testing was performed, and the error was carried forward into 2021/22

A total of 9 claims were found to be incorrect 1 of these claims (Value £4,413) led to an understatement of benefit of £1,132 and an overpayment for the case of £126 not being required. The other 8 cases had no financial impact because of the errors identified.

The number of cases with ESA C was 79 and we re-performed the test on 8 cases, and the Authority's findings on those claims were correct.

As there is no eligibility to subsidy for benefit which has not been paid, the underpayment (or nil impact) identified does not affect and has not, therefore, been classified as errors for subsidy extrapolation purposes.

This is the second year of reporting this error in the HBAP report, we will carry forward this error as CAKE for 2022/23

Modified Scheme Testing

As a part of HBAP Module 1, Reporting Accountants we are required to obtain information as to whether the local discretionary scheme has been agreed by Full Council.

We were not able to obtain any evidence of this therefore this requires disclosure in our report.

Appendix C: Amendments to the claim form MPF720A

Error Type 4 – expenditure misclassification. Where benefit expenditure has been misclassified

Cell 011 Non HRA Rent rebate Cell 028 Eligible overpayments misclassified.

Cell Total: £1,028,328

Cell Total £3,055 – sub population

Cell Population: 401 cases

Cell Population: 15 cases – sub population

Initial testing in 2019/20 found claims in Cell 028 Eligible overpayments, that had been misclassified, testing 2020/21 also found this issue and so it was continued as CAKE into 2021/22

A total of 4 claims were found to be incorrect Cell 028 was found to be overstated by £131 and Cell 027 was understated by £96, and Cell 026 was Understated by £35.

The number of cases in Cell 028 cases 15 and we re-performed the test on 2 cases, and the Authority's findings on those claims were correct.

The following adjustments have been made:

Cell 026 Understated by £35

Cell 027 Understated by £96

Cell 028 Overstated by £131

Cells 026, 027, and 028 have been amended on form MPF720A dated 06 June 2023. Cell 011 remains unchanged.

Appendix D Additional issues

There are no additional issues to report.

Audit, Governance and Standards Committee

11 April 2024

Internal Audit and Assurance Plan 2024/25

| | |
|---------------------------------------|---------------------------------------------------------|
| 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 report summarises the risk assessment and consultation process undertaken by Internal Audit to compile the programme of work that will lead up to the 2024/25 Head of Internal Audit Opinion.

Purpose of Report

Decision

This report makes the following recommendations to this Committee:

1. That the Internal Audit & Assurance Plan for 2024/25 at Appendix 1 to this report be approved. This includes delegating to the Head of Audit Partnership to keep the plan current for in-year emerging risks as set out in para 2.4 of the report.
2. That the Head of Audit Partnership’s view that internal audit currently has sufficient resources to deliver the plan and a robust Head of Audit Opinion be noted.
3. That the Head of Audit Partnership’s assurance that the plan is compiled independently and without inappropriate influence from management be noted.

Timetable

| Meeting | Date |
|-------------------------------------------|---------------|
| Audit, Governance and Standards Committee | 11 April 2024 |

Internal Audit and Assurance Plan 2024/25

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 | The Accounts and Audit Regulations 2015 contain provisions on internal audit. The Regulations require that the Council undertakes an effective internal audit taking into account public sector internal auditing standards. The Standards require that the Head of Audit Partnership provides an annual opinion based on objective assessment of the framework of governance, risk management and control. Therefore, the Council is required to consider and approve an Internal Audit & Assurance Plan for 2024/25 to maintain regulatory conformance. | Katherine Woodward – Head of Mid Kent Audit Partnership |
| Privacy and Data Protection | Accepting the recommendations will increase the volume of data held. We will hold that data in line with our retention schedules. | Katherine Woodward – Head of Mid Kent Audit Partnership |
| Equalities | There are no direct equalities implications associated with this report. | Katherine Woodward – Head of Mid |

| | | |
|----------------------------------------|-----------------------------------------------------------------------------------------------|---------------------------------------------------------|
| | | Kent Audit Partnership |
| Public Health | There are no direct public health implications associated with this report. | Katherine Woodward – Head of Mid Kent Audit Partnership |
| Crime and Disorder | There are no direct crime and disorder implications associated with this report. | Katherine Woodward – Head of Mid Kent Audit Partnership |
| Procurement | There are no direct procurement implications associated with this report. | Mark Green – Director of Finance & Business Improvement |
| Biodiversity and Climate Change | There are no direct biodiversity and climate change implications associated with this report. | Katherine Woodward – Head of Mid Kent Audit Partnership |

2. INTRODUCTION AND BACKGROUND

- 2.1 The Public Sector Internal Audit Standards (the “Standards”) require the audit Partnership to produce and publish a risk based plan, at least annually, to determine the priorities for the year. The plan must consider input from senior management and Members and be aligned to the objectives and risks of the Council.
- 2.2 The purpose of this report is to set out the annual assurance plan 2024/25 to Members. The report details how the plan is devised, the resources available through the Partnership and the specific audit activities and engagement delivered over the course of the year.
- 2.3 The Committee needs to obtain assurance on the effectiveness of the control environment, governance and risk management arrangements. The principal source of this assurance is derived from the annual assurance plan.
- 2.4 Standards explicitly support that the plan is flexible and responsive to emerging and changing risks across the year. Therefore the 2024/25 plan includes audit reviews that are high priority and those that are medium priority. By taking this approach we are able to achieve flexibility within the plan and ensure that the plan remains relevant throughout the year.

3. AVAILABLE OPTIONS

- 3.1 There is a statutory requirement for the Council to have an internal audit of its governance, risk and control processes. The Accounts and Audit Regulations 2015, more specifically require that the audit takes into account the Public Sector Internal Audit Standards. The Council could decide that it does not want a programme of work for the audit service, however, this would go against professional Standards.
 - 3.2 The appendix sets out the proposed plan for 2024/25, including background details on how we compiled the plan and how we propose to manage its delivery. The proposal is for the Committee to consider and approve the plan.
 - 3.3 We confirm to Members that, although the plan has undergone broad consultation with management, it is compiled independently and without being subject to inappropriate influence.
 - 3.4 The Committee as part of its terms of reference must retain oversight of the internal audit service and its activities. This includes the Committee's role to formally consider and approve the plan.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 We recommend Members approve the attached audit and assurance plan. The plan has been created through a process conforming with appropriate Standards and Regulations and in consultation with a broad range of officers. The Head of Audit Partnership believes this is the appropriate plan of work to support her opinion at year end.
-

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 We consult with Managers, Heads of Service and Directors throughout the year as we undertake our work, but also specifically as part of the audit planning process. The plan attached represents the collective views of management and the audit service.
 - 5.1 The overall resource allocation between the partners is consistent with the collaboration agreement and discussed with the Shared Service Board.
-

6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 On approval we will begin work towards delivering the approved plan immediately. We will report to Members on progress in the autumn and raise any urgent matters as set out in the audit charter.
-

7 REPORT APPENDICES

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

- Appendix 1: Internal Audit and Assurance Plan 2024/25
-

8 BACKGROUND PAPERS

None

**Internal Audit & Assurance
Plan 2024/25**

Maidstone Borough Council



MID KENT AUDIT

Introduction

1. This risk-based internal Audit Plan for 2024/25 provides adequate coverage to enable an annual Head of Audit Opinion to be made at the end of the financial year.
2. It is important that this Audit Plan has the flexibility to adapt and adopt to the changes and business priorities as they develop during the forthcoming financial year.

Risk Assessments

3. The Public Sector Internal Audit Standards direct that audit planning is built upon a risk assessment. This assessment must consider internal and external risks, including those relevant to the sector or global risk issues. This Plan for 2024/25 represents the current views now, but it will be necessary to continue to reflect and consider the audit response as risks and priorities change across the year. A specific update report will be provided to Members midway through the year.

Global and Sector Risks

4. In considering global and sector risks the risk assessment draws on various sources such as the IIA and CIPFA.
5. This year will continue to be another challenging year for Local Government in terms of funding, managing additional recruitment and technological advancement, which in turn may impact on the adequacy and effectiveness of the governance, risk and control framework of the Council.
Some of the external factors that we consider when planning the internal audit coverage are (in no particular order):

- **Multi-channel customer engagement**
- **Commercialisation**
- **Cyber Security and Digital disruption**
- **Financial Viability**
- **Human Capital**
- **Climate Change, Biodiversity and environmental sustainability**
- **Macroeconomics - Inflation and Interest Rates**
- **Geopolitical uncertainty**

MID KENT AUDIT

Council specific Audit Risk Review

6. This risk review incorporates two elements. The first element is the service's relative materiality to the Council's overall objectives and controls. The assessment includes consideration of:
 - **Finance Risk:** The value of funds flowing through the service.
 - **Priority Risk:** The strategic importance of the service in delivering Council priorities.
 - **Support Service Risk:** The extent interdependencies between Council departments.
 - **Complexity:** The complexity of the systems / activities in terms of their operation and auditability

7. The second element considers the reputational aspects of a failure of the effective operation of the internal control arrangements. The assessment includes consideration of:
 - **Oversight Risk:** Considering where other agencies regulate or inspect the service.
 - **Change Risk:** Considering the extent of change the service faces or has recently experienced.
 - **Staff Turnover:** The turnover of staff, especially with key skill
 - **Audit Knowledge:** What do we know about the service? This considers not just our last formal review, but any other information we have gathered from, for example, following up agreed actions. We also consider the currency of our knowledge, with an aim to conduct a full review in each service at least every five years if possible.
 - **Fraud Risk:** The susceptibility of the service to fraud loss.

Audit Risk Prioritisation

8. The results of these various risk assessments provide a provisional Audit Plan. The provisional Plan is consulted on with the Managers, Heads of Service and Management Board to get their perspective on the audit assessment and from this the Risk Based Audit Plan for the year is produced.

MID KENT AUDIT

Resourcing the Audit Plan

9. MKA has been through a period of significant staffing change. There are still several vacant posts within the team following an unsuccessful recruitment campaign. A further recruitment campaign will commence shortly, and we will continue to work with contractors to bridge the short-term resource gap.
10. MKA also have access to sources of specialist expertise through framework agreements with audit firms, which includes access to subject matter experts.
11. The overall resource level is therefore based on the current audit team establishment and the chargeability for each grade. This calculation produces an available number of days across the four Councils to which MKA provides the internal audit service of 1,471 days.
12. In 2024/25 each council will contribute to the partnership based on the actual service delivered to each authority as described in the collaboration agreement. The Audit Plan for 2024/25 is based on the level of work required to deliver an annual Audit Opinion for each Authority. This approach has identified 361 days to assign for Maidstone Borough Council for the 2024/25 audit plan.
13. We hold a variety of qualifications that help to ensure that we provide a high-quality service. These include CIPFA, Certified and Chartered Internal Auditors, Accounting technicians and Accredited Counter Fraud Specialist. We are also supporting an apprentice through level 7 audit qualification. This breadth of skills and experience, along with any new staff we will recruit as part of the review of the team will enable delivery of the audit plan.
14. MKA has the skills and expertise to deliver the 2024/25 Audit Plan and it is confirmed that planned audit work will enable a Head of Audit opinion for 2024/25 to be delivered in Spring 2025.
15. The actual number of days allocated are set out below:

| | | | |
|-----------------------|-----------------|------------------------|----------------|
| Audit Projects | 240 days | Members Support | 20 days |
| Consultancy | 29 days | Counter Fraud | 18 days |
| Follow-up | 22 days | Risk Management | 8 days |
| Audit Planning | 24 days | | |

MID KENT AUDIT

Risk Based Audit: 240 Days

16. The primary part of the Audit Plan is delivering risk-based audit engagements to support delivery of the annual Audit Opinion. The annual Audit Opinion is required to provide a view on the effectiveness of internal controls, risk managements procedures and governance processes across the authority. To achieve this the audit plan needs to cover specific assurance themes to demonstrate a balanced view of the organisation while supporting the strategic direction of the Council. The five assurance themes considered are:
 - **Financial**
 - **Governance**
 - **Infrastructure**
 - **Operational**
 - **People**
17. The volume of work contained within the audit plan is sufficient to confidently provide the annual Audit Opinion. The annual Audit Opinion is derived from the work contained within the audit plan, additional sources of assurance obtained from external providers, the risk management process and observations of governance arrangements throughout the leadership direction of the authority.
18. We have selected these audits from our '5 year rolling plan', which contains the audits we intend to deliver over the next five years. This rolling plan is a 'live' document that is constantly evolving based on organisational priority, service capacity and resource and timing constraints.
19. The timings for the individual reviews will be agreed with a suitable officer sponsor once the plan has been approved.
20. Below we set out our audit engagements for the year ahead. We will agree the detailed objectives with the service as part of planning each review:

MID KENT AUDIT

Maidstone Borough Council Audit Plan 2024/25

| Project Title | Previous Audit | Previous Results |
|--------------------------------------------------------------|----------------|------------------|
| Financial Audits | | |
| Budgetary Control | 2018/19 | Sound |
| Accounts Payable (Creditors) | 2018/19 | Sound |
| Insurance | 2017/18 | Sound |
| Parking Income | 2017/18 | Sound |
| Governance Audits | | |
| Elections Management | 2016/17 | Sound |
| Legal Services (Shared Service) | 2017/18 | Sound |
| Safeguarding | 2015/16 | Weak |
| Emergency Planning (Shared Service) | 2017/18 | Sound |
| Health & Safety | 2019/20 | Weak |
| Infrastructure Audits | | |
| Residential Property Management | | |
| ICT - Technical Support (Shared Service) | 2019/20 | None |
| ICT – Network Controls and Security (Shared Service) | 2015/16 | Strong |
| Operational Services Audits | | |
| Building Control | 2018/19 | Sound |
| Planning Discharge Conditions | 2019/20 | None |
| Commercial Property Management | | |
| Economic Development | | |
| Disabled Facilities Grants | 2017/18 | Sound |
| Revenues & Benefits – Debt Recovery Service (Shared Service) | 2017/18 | Strong |
| Revenues and Benefits – Fraud Compliance (Shared Service) | 2018/19 | Sound |
| Leisure Services Contract | 2014/15 | Sound |
| Licensing (Shared Service) | 2015/16 | Sound |
| People Policy Audits | | |
| Human Resources – Payroll and Expenses (Shared Service) | 2017/18 | Sound |

MID KENT AUDIT

Follow-up of Agreed Actions: 22 days

21. Time has been allocated to following up the actions arising from internal audit recommendations made and reporting the results to Senior Officers and Members.

Consultancy & Member Support: 49 days

22. A consultancy allocation provides general and specific extra advice or training to the Council. This allocation also provides support to Members, through attendance at and reporting to Committees.
23. This fund also provides a contingency to avoid having to cut short engagements and allow full exploration of significant findings.

Planning: 24 days

24. This time is allocated to complete the major part of the annual planning exercise, including updating risk assessments and consultation across the Council. The time is also used for identification of risks and issues across the Council, the wider public sector and the audit profession. This ensures the Audit Plan can remain dynamic and responsive to risk through the year.

Counter Fraud Support: 18 days

25. At Maidstone MKA'S responsibilities include writing and updating Counter Fraud and Whistleblowing policies, conducting investigations on matters of concern and providing a channel for officers to raise concerns under the Public Interest Disclosure Act.
26. For 2024/25 it is intended to compile more detailed procedures for investigations, drawing on Industry Standards. We also aim to draw up training to support compliance and awareness with the Counter Fraud policies and make clear when and where people should report any matters of concern.

Risk Management: 8 days

22. At Maidstone MKA's responsibility encompasses tasks such as developing and maintaining the risk management software and providing support to the risk management function of the council.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

11 April 2024

Statement of 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 | Adrian Lovegrove, Head of Finance Paul Holland, Senior Finance Manager (Client) |
| Classification | Public |
| Wards affected | All |

Executive Summary

This report presents the Narrative Statement, audited Statement of Accounts for 2022/23, along with the Audit Findings Report from Grant Thornton, the Council's external auditors, and Letter of Representation.

Purpose of Report

The report enables the Committee to formally approve the Statement of Accounts, and to note the Audit Findings Report and Letter of Representation.

This report makes the following recommendations to this Audit, Governance & Standards Committee:

1. That the audited Narrative Statement and Statement of Accounts for 2022/23 are approved.
2. That the external auditor's Audit Findings Report is noted.
3. That the external auditor's Letter of Representation is noted.

Timetable

| Meeting | Date |
|-----------------------------------------|---------------|
| Audit, Governance & Standards Committee | 11 April 2024 |

Statement of 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 Members will be aware that the deadline was not achieved for a number of reasons that have been outlined in previous reports to the Committee. However, all the outstanding issues have now been successfully resolved

and the auditors have indicated that they will be issuing an unmodified audit opinion.

- 2.3 This report includes the updated Narrative report, Statement of Accounts, the External Auditor's Audit Findings Report (from the External Auditors) and the Letter of Representation.
- 2.4 A representative from Grant Thornton will attend the meeting to present their Audit Findings Report and to take any questions that Members may have.

3. AVAILABLE OPTIONS

- 3.1 The Committee is asked to approve the Statement of Accounts 2022/23 and note the contents of the Audit Findings Report and Letter of Representation.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 That the Statement of Accounts 2022/23 is approved so they can be signed by the Director of Finance, Resources and Business Improvement. They will then be published on the Council's website along with the Annual Governance Statement to ensure we meet our legal obligations.

5. RISK

- 5.1 Any further delays would impact on the audit of the 2023/24 Statement of Accounts which cannot commence until these Accounts are approved and published.

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 published on the Council's website when the accounts are published, and the public will have a specified period submit enquiries.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The audited Statement of Accounts will be published on the Council's website.
-

8. **REPORT APPENDICES**

- Appendix 1: Narrative Report 2022/23
 - Appendix 2: Audited draft Statement of Accounts 2022/23
 - Appendix 3: External Auditor's Audit Findings Report
 - Appendix 4: Letter of Representation 2022/23
-

9. **BACKGROUND PAPERS**

None



NARRATIVE REPORT



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 | £103.1 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% |

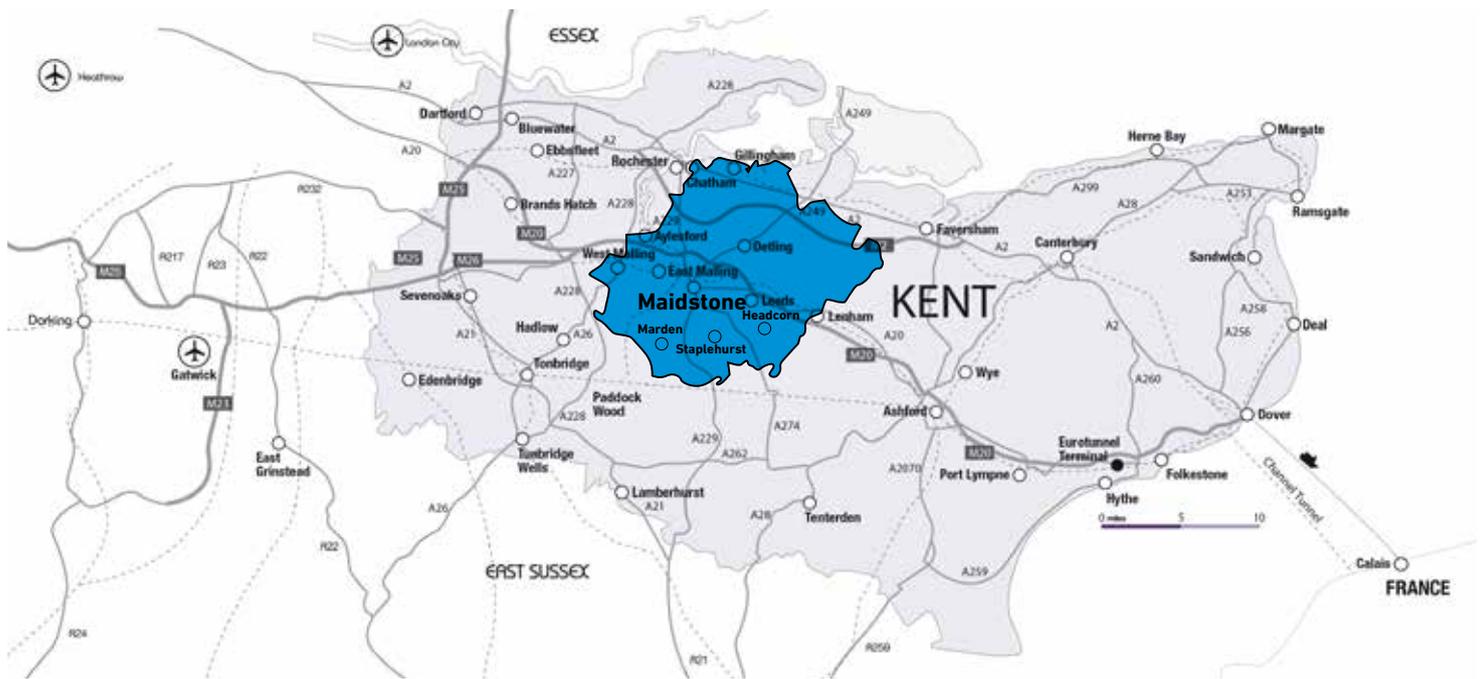
COUNCIL INVESTMENT IN LONG TERM ASSETS

| | |
|----------------|----------------|
| 2022/23 | £205.7 million |
| 2021/22 | £194.8 million |

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

| | |
|----------------|---------------|
| 2022/23 | £30.6 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 £13.8 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 | 199 Street Cleansing | 78.84% | 94% | | |

PRIORITY: Homes & Communities

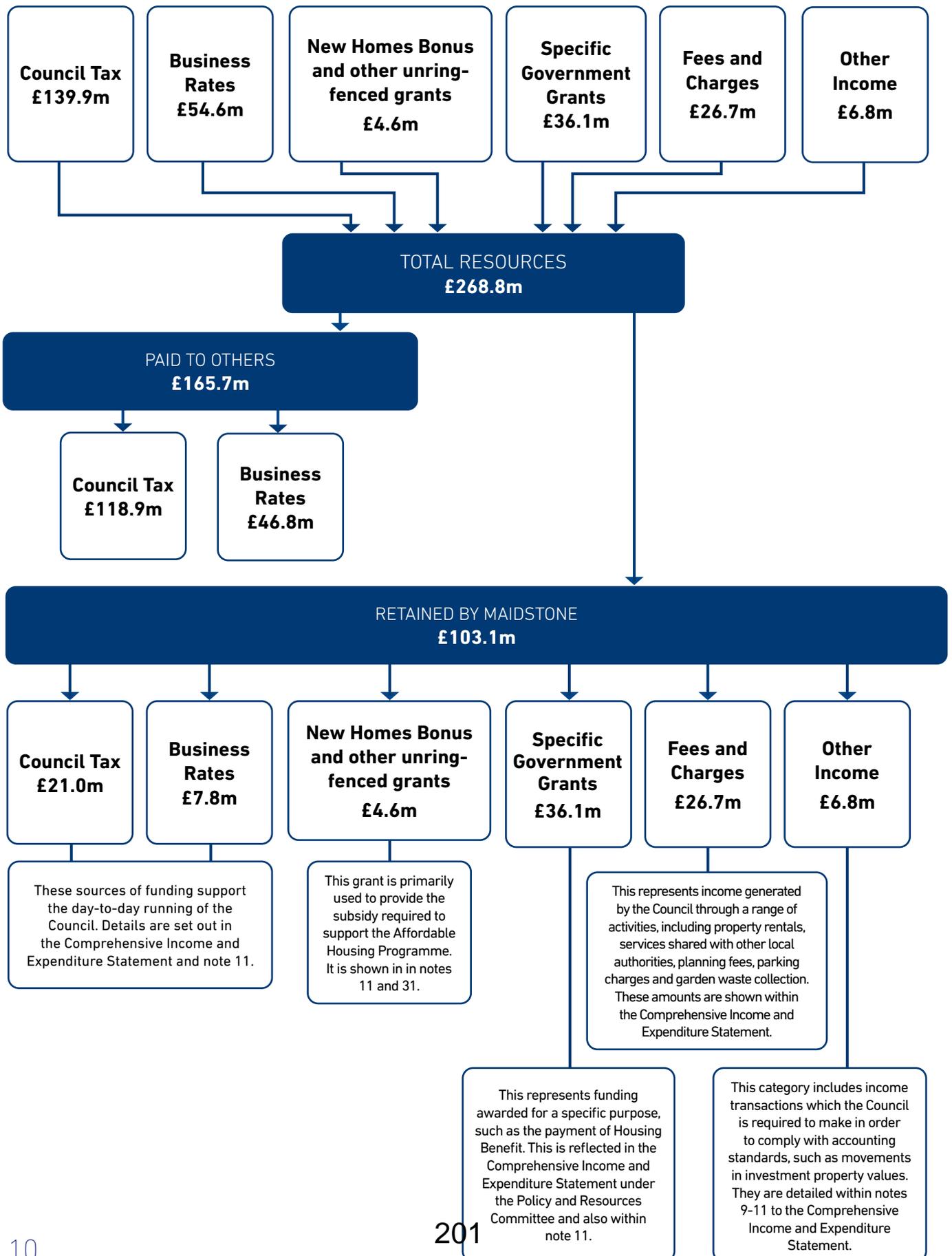
| Performance Indicator | Service | 2022/23 Out-turn | 2022/23 Target | Status | Compared to 2021/22 |
|----------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|----------------|--------|---------------------|
| 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 | | | | |

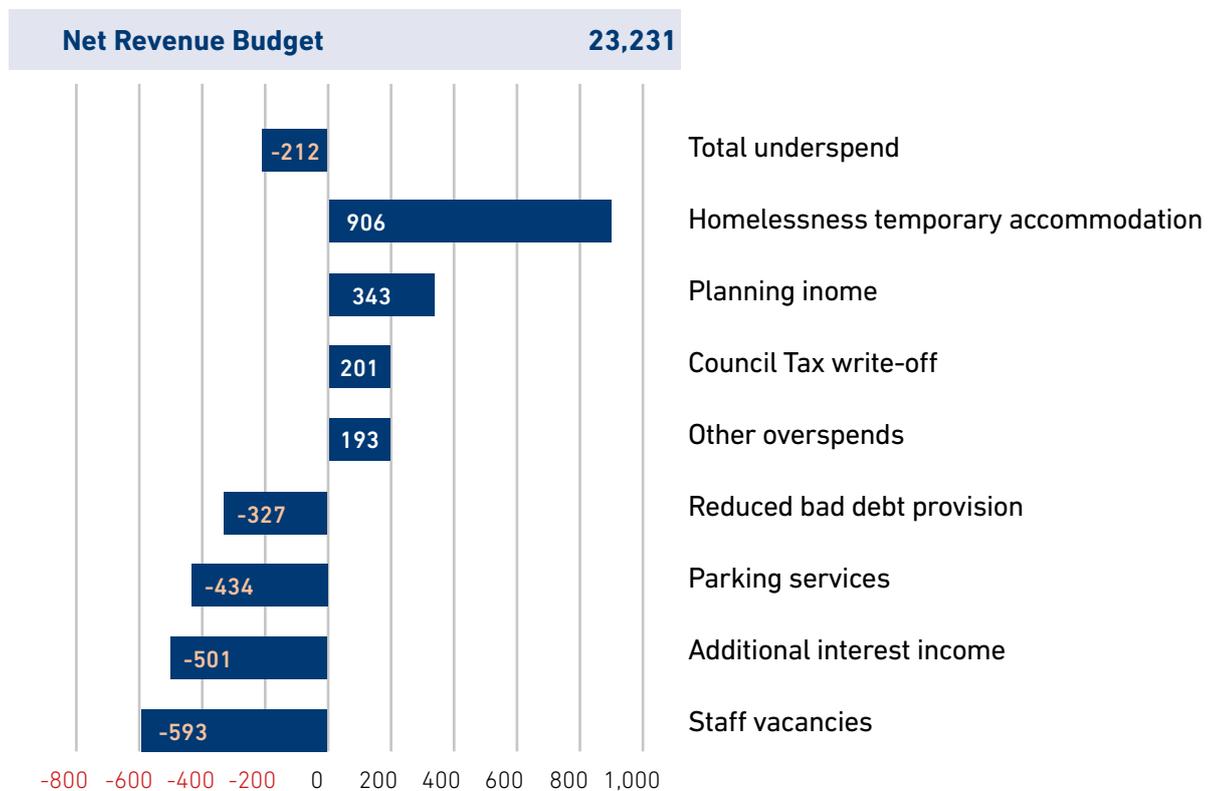
Financial Performance

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.



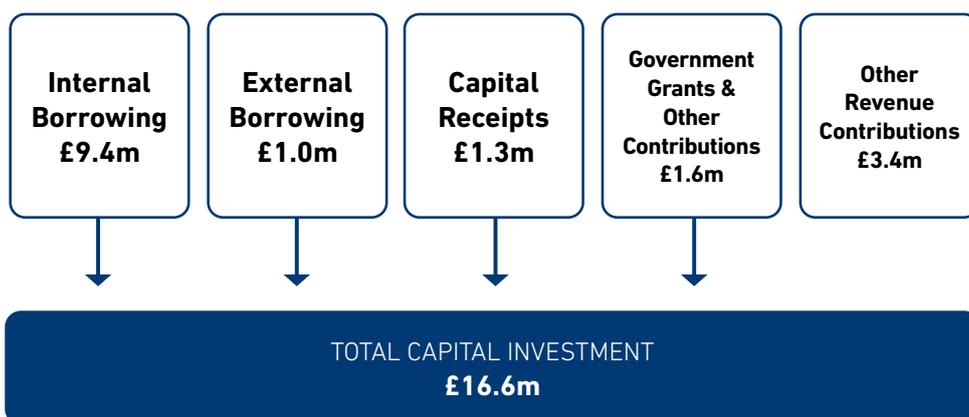
Revenue Out-Turn

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.



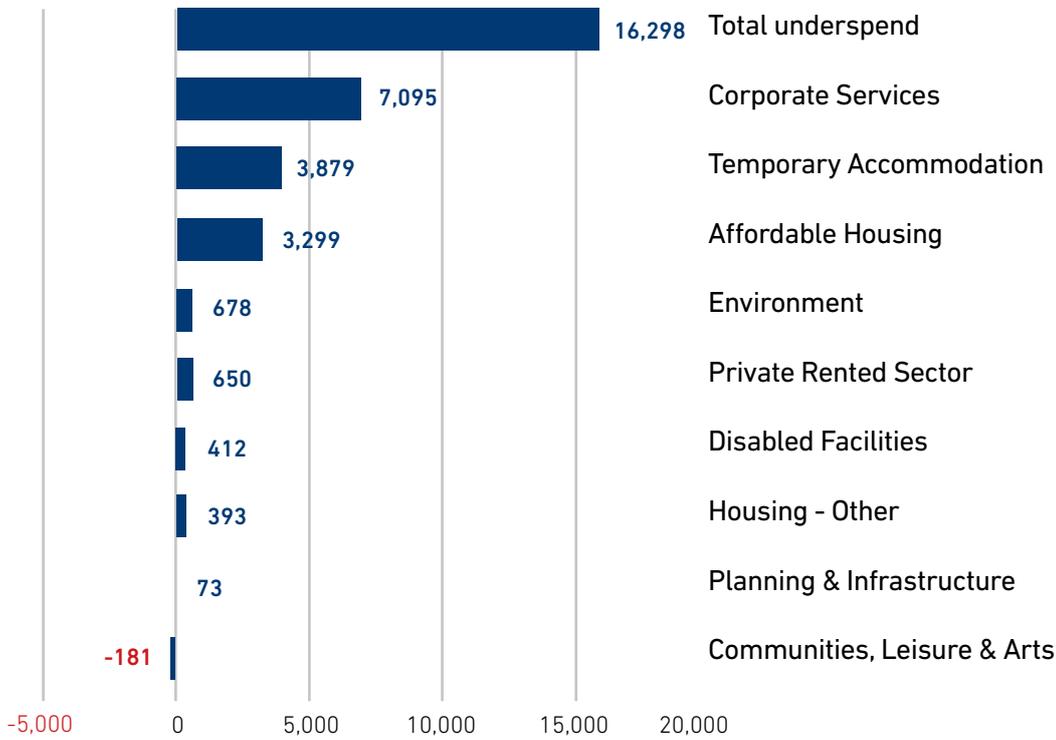
Internal borrowing arises when surplus funds generated from within the Council are used for capital investment. In line with the treasury management strategy, internal resources are used where possible in order to minimise the cost of borrowing.

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 £81.1 million to £155.6 million, mainly because of a downward valuation of our pension fund liabilities by external actuaries.

| 31st March 2022 | | 31st March 2023 |
|------------------------|-----------------------------|------------------------|
| £000 | | £000 |
| 135,806 | Property, Plant & Equipment | 146,380 |
| 43,395 | Investment Properties | 44,192 |
| 13,349 | Heritage Assets | 14,002 |
| 2,247 | Other Long Term Assets | 1,171 |
| 53,195 | Money owed to the Council | 26,819 |
| (76,495) | Money owed by the Council | (51,731) |
| (90,382) | Long Term Liabilities | (23,149) |
| 81,115 | Net Assets | 157,684 |
| 35,334 | Usable Reserves | 36,774 |
| 45,781 | Unusable Reserves | 120,910 |
| 81,115 | Total Reserves | 157,684 |

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 £13.8m, 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.



MEADOW
FOOD • DRINK • ENTERTAINMENT • LEISURE





STATEMENT OF ACCOUNTS 2022/23

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).

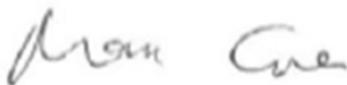
In preparing this Statement of Accounts, the Director of Finance, Resources & Business Improvement has:

- 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: 3rd April 2024

PRIMARY STATEMENTS

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

| 2021/22 (Restated) | | | Policy Advisory Committee (See note) | 2022/23 | | |
|---------------------------|----------------------|-------------------------|-----------------------------------------------------------------------------------------------------|---------------------------|----------------------|-------------------------|
| Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 | | Gross Expenditure £000 | Gross Income £000 | Net Expenditure £000 |
| 46,344 | (41,313) | 5,031 | Corporate Services | 47,397 | (39,655) | 7,742 |
| 27,457 | (15,546) | 11,911 | Communities, Housing & Environment | 27,665 | (11,744) | 15,921 |
| 18,582 | (9,506) | 9,076 | Economic Regeneration & Leisure | 9,824 | (5,092) | 4,732 |
| 8,332 | (7,090) | 1,242 | Planning & Infrastructure | 8,396 | (6,305) | 2,091 |
| 100,716 | (73,455) | 27,260 | Cost Of Services | 93,282 | (62,796) | 30,486 |
| | | 1,428 | Other Operating Expenditure (Note 9) | 2,570 | (1,226) | 1,344 |
| | | (3,123) | Financing and Investment Income and Expenditure (Note 10) | 4,881 | (6,137) | (1,256) |
| | | (31,363) | Taxation and Non-Specific Grant Income and Expenditure (Note 11) | 19,339 | (52,851) | (33,512) |
| | | (5,799) | (Surplus) or Deficit on Provision of Services | | | (2,939) |
| | | | Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services | | | |
| | | (10,212) | (Surplus) or deficit on revaluation of property, plant & equipment assets | | | (6,042) |
| | | (16,866) | Remeasurement of the Net Defined Benefit Liability | | | (67,591) |
| | | (27,078) | Other Comprehensive Income and Expenditure | | | (73,631) |
| | | (32,876) | Total Comprehensive Income and Expenditure | | | (76,568) |

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 | Earmarked GF Balances | Total General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves | Total Reserves |
|--------------------------------------------------------------------------------|----------------------------------------|--------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------|----------------------|-------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1st April 2022 | 12,517 | 21,363 | 33,873 | 288 | 1,171 | 35,326 | 45,785 | 81,111 |
| Movement in Reserves during 2022/23 | | | | | | | | |
| Total Comprehensive Income & Expenditure | 2,939 | 0 | 2,939 | 0 | 0 | 2,939 | 73,643 | 76,582 |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | 456 | 0 | 456 | (14) | 95 | 537 | (537) | (0) |
| Movements between Reserves | 0 | (2,031) | (2,031) | 0 | | (2,031) | 2,021 | (10) |
| Increase or Decrease in 2022/23 | 3,395 | (2,031) | 1,364 | (14) | 95 | 1,445 | 75,127 | 76,572 |
| Balance at 31st March 2023 | 15,912 | 19,333 | 35,238 | 274 | 1,266 | 36,773 | 120,910 | 157,684 |

| Comparative Year | General Fund Balance | Earmarked GF Balances | Total General Fund Balance | Capital Receipts Reserve | Capital Grants Unapplied | Total Usable Reserves | Unusable Reserves (Restated) | Total Reserves |
|--------------------------------------------------------------------------------|-------------------------|--------------------------|-------------------------------|--------------------------------|--------------------------------|--------------------------|------------------------------------|-------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance at 1st April 2021 | 10,274 | 22,965 | 33,231 | 459 | | 33,691 | 14,546 | 48,237 |
| Movement in Reserves during 2021/22 | | | | | | | | |
| Total Comprehensive Income & Expenditure | 5,797 | | 5,797 | 0 | 0 | 5,797 | 27,078 | 32,875 |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | (5,155) | | (5,155) | (171) | 1,172 | (4,154) | 4,153 | (1) |
| Movements between Reserves | 1,602 | (1,602) | | | | | 10 | 10 |
| Increase or Decrease in 2021/22 | 2,244 | (1,602) | 642 | (171) | 1,172 | 1,636 | 31,241 | 32,874 |
| Balance at 31st March 2022 | 12,517 | 21,363 | 33,873 | 288 | 1,171 | 35,326 | 45,785 | 81,111 |

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 |
|-------------------------------------|------------------------------------|--------------|-------------------------------------|
| 135,806 | Property, Plant & Equipment | 17 | 146,381 |
| 43,395 | Investment Property | 18 | 44,193 |
| 13,349 | Heritage Assets | 19 | 14,002 |
| 1,139 | Intangible Assets | | 1,135 |
| 1,109 | Long Term Debtors | 23 | 37 |
| 194,798 | Long Term Assets | | 205,748 |
| 5,000 | Short Term Investments | 20 | 0 |
| 145 | Inventories | 22 | 67 |
| 14,297 | Short Term Debtors | 23 | 18,154 |
| 33,753 | Cash & Cash Equivalents | 24 | 8,598 |
| 53,195 | Current Assets | | 26,819 |
| 101 | Bank Overdraft | 24 | 0 |
| 4,000 | Short Term Borrowing | 20 | 5,000 |
| 67,209 | Short Term Creditors | 25 | 41,135 |
| 1,565 | Provisions | 26 | 1,147 |
| 567 | Deferred Liability | 28 | 597 |
| 3,053 | Capital Grants Receipts in Advance | 15 | 3,854 |
| 76,495 | Current Liabilities | | 51,731 |
| 1,801 | Provisions | 26 | 913 |
| 5,000 | Long Term Borrowing | | 5,000 |
| 914 | Deferred Liability | 28 | 319 |
| 4,775 | Capital Grants Receipts in Advance | 15 | 4,632 |
| 77,890 | Net Pension Liability | 32 | 12,284 |
| 90,382 | Long Term Liabilities | | 23,149 |
| 81,115 | Net Assets | | 157,684 |
| 35,334 | Usable Reserves | 7 | 36,774 |
| 45,781 | Unusable Reserves | 30 | 120,910 |
| 81,115 | Total Reserves | | 157,684 |

CASHFLOW STATEMENT

| 2021/22 £000 | | Notes | 2022/23 £000 |
|-----------------|-------------------------------------------------------------------------------------------------------------------------------------|-----------|-----------------|
| (5,797) | Net (surplus) or deficit on the provision of services | | 2,939 |
| (28,953) | Adjustments to net surplus or deficit on the provision of services for non-cash movements | 35 | 5,801 |
| 8,274 | Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities | 36 | 2,119 |
| (26,476) | Net cash flows from Operating activities | | 10,859 |
| 18,564 | Investing Activities | 37 | (13,165) |
| (14,956) | Financing Activities | 38 | (22,747) |
| (22,868) | Net increase or decrease in cash & cash equivalents | | (25,053) |
| (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 | | 8,598 |

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 | | 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 |
| 8,569 | (3,537) | 5,032 | Corporate Services | 9,102 | (1,371) | 7,731 |
| 10,014 | 1,897 | 11,911 | Communities, Housing & Environment | 13,457 | 2,473 | 15,931 |
| 4 | 9,072 | 9,076 | Economic, Regeneration & Leisure | 153 | 4,579 | 4,732 |
| 97 | 1,146 | 1,242 | Planning & Infrastructure | 579 | 1,512 | 2,091 |
| 18,684 | 8,577 | 27,261 | Net Cost Of Services | 23,291 | 7,194 | 30,485 |
| (28,645) | (4,414) | (33,059) | Other Income & Expenditure | (25,775) | (7,650) | (33,425) |
| (9,962) | 4,163 | (5,798) | (Surplus) or Deficit | (2,484) | (456) | (2,939) |
| | | 33,230 | Opening General Fund Balance | | | 33,871 |
| | | 5,155 | Adjustments between Accounting & Funding Basis | | | 1,570 |
| | | 33,873 | Closing General Fund Balance at 31st March | | | 35,237 |

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 | (4,135) | (1,371) |
| Communities, Housing & Environment | 410 | | 2,063 | 2,473 |
| Economic, Regeneration & Leisure | 1,102 | | 3,477 | 4,579 |
| Planning & Infrastructure | 117 | | 1,395 | 1,512 |
| Net Cost of Services | 3,146 | 1,248 | 2,799 | 7,193 |
| Other income and expenditure from the Expenditure & Funding Analysis | (3,146) | (1,248) | (3,255) | (7,650) |
| Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services | 0 | 0 | (456) | (456) |

| 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 | 1,248 | (5,546) | (3,537) |
| Communities, Housing & Environment | 366 | | 1,531 | 1,897 |
| Economic, Regeneration & Leisure | 8,126 | | 946 | 9,072 |
| Planning & Infrastructure | (348) | | 1,494 | 1,146 |
| Net Cost of Services | 8,904 | 1,248 | (1,575) | 8,576 |
| Other income and expenditure from the Expenditure & Funding Analysis | (8,904) | (1,248) | 5,738 | (4,414) |
| Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services | 0 | 0 | 4,163 | 4,162 |

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 | 25,426 | 24,104 |
| Other Services Expenses | 94,952 | 89,071 |
| Depreciation, Amortisation, Impairment | 3,022 | 4,640 |
| Interest Payments | 126 | 147 |
| Precepts & Levies | 2,240 | 2,441 |
| Total Expenditure | 125,766 | 120,404 |
| Income | | |
| Fees, Charges & Other Service Income | (30,461) | (28,067) |
| Interest & Investment Income | (72) | (601) |
| Income from Council Tax & NDR | (45,459) | (48,602) |
| Government Grants & Contributions | (47,751) | (40,423) |
| Gain/(Loss) on the Disposal of Assets & Revaluations | (7,820) | (5,649) |
| Total Income | (131,564) | (123,343) |
| (Surplus) or Deficit on the Provision of Services | (5,799) | (2,939) |

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). The result of this review is that the Council currently has no property leases which need to be classified as finance leases. The acquisition of Maidstone House did meet the criteria of a finance lease, but due to the nature of the arrangement it is accounted for as an operational asset.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- A judgement has been made as to which of the Council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of 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.
- A review of our componentiation policy has been undertaken and we will through the regular valuation process add additional properties that could be componentised in the future to allow us to fully comply with the policy.
- 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. These valuation use indices to support the latest valuation. The indices used are BCIS Average Cost and the Investment method that's uses potential income levels. These do fluctuate during the year and</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> |

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| Balance | Source of Uncertainty | Effect if actual results differ from assumptions |
|------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | <p>therefore may change over the next 12 months.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p> | |
| Fair Value of Investment Property | <p>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> <p>These valuations use indices to support the latest valuation figures. The indices used in the main are the Investment method that's uses potential income levels. These do fluctuate during the year and therefore may change over the next 12 months.</p> | <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> |
| Pensions Liability | <p>Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate</p> | <ul style="list-style-type: none"> • A 1% increase in the discount rate will reduce the net pension liability by £20.7m; • A 1% increase in the assumed level of pension increases and deferred revaluation will increase the net pension liability by £25.0m; |

| Balance | Source of Uncertainty | Effect if actual results differ from assumptions |
|-----------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. 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. |
| Sundry Debtors | 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 | 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. | 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>There is uncertainty regarding the value of potential losses against the 2017 valuation list. A provision of 2.1p per pound of rateable value is reflected in the above total.</p> <p>These calculations are made with reference to information supplied by an external advisor, Analyse Local.</p> <p>Uncertainty exists as to whether or not the provision will be sufficient to cover refunds made following successful rateable value appeals, or whether the current provision is excessive.</p> | |

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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.

- IFRS 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. The implementation of IFRS 16 Leases was deferred by a further two years, although an authority can voluntarily adopt the standard in 2022/23 or 2023/24. This Council will adopt the standard as from 1 April 2024 which will impact the statements in 2024/25
- 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) | 1,998 | | |
| Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account) | (6,133) | | |
| 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) | 10,467 | (95) | |
| Total Adjustments to Revenue Resources | 6,326 | | 0 |
| Adjustments between Revenue and Capital Resources | | | |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve | (1,226) | | 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 | (4,310) | | 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 | (1,560) | | |
| Total Adjustments to Capital Resources | (1,560) | | (1,282) |
| Total Adjustments | 456 | (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) | 4,973 | | |
| 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) | 12,903 | (1,172) | |
| Total Adjustments to Revenue Resources | 10,474 | (1,172) | 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) | (5,969) | | |
| Total Adjustments between Revenue and Capital Resources | (11,684) | 0 | 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) | 0 | (4,500) |
| Total Adjustments | (5,154) | (1,172) | (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 £37.715m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

| | 31st March 2022 £000 | Contributions to/from Balances 2022/23 £000 | 31st March 2023 £000 |
|------------------------------------------------------|-----------------------------------------|--------------------------------------------------------------------|-----------------------------------------|
| Spatial Planning | 0 | 558 | 558 |
| Neighbourhood Planning | 97 | (20) | 77 |
| Planning Appeals | 286 | (56) | 229 |
| Trading Accounts | 0 | | 0 |
| Civil Parking Enforcement | 400 | (31) | 370 |
| Future Capital Expenditure | 2,426 | 29 | 2,455 |
| Future Funding Pressures | 969 | 1,512 | 2,481 |
| Homelessness Prevention & Temporary Accommodation | 1,279 | (155) | 1,124 |
| Business Rates Earmarked Balances | 3,684 | 621 | 4,305 |
| Funding for Future Collection Fund Deficits | 10,321 | (7,780) | 2,541 |
| 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 |
| Major Works Sinking Fund | 0 | 213 | 213 |
| Housing Investment Fund | 0 | 3,216 | 3,216 |
| Total Earmarked Reserves | 21,363 | (2,030) | 19,334 |
| Unallocated Balances | 12,509 | 1,277 | 13,786 |
| Total General Fund Reserves | 33,873 | (752) | 33,120 |

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 £1.841m 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 | 962 |
| Interest receivable and similar income | (72) | (601) |
| Income & Expenditure in relation to Investment properties and changes in their fair value: | | |
| Income | (6,065) | (5,536) |
| Expenditure | 1,130 | 3,772 |
| | (3,123) | (1,256) |

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 | 27,184 |
| Tariff Payable | (19,339) | (19,339) |
| Covid-19 Grants | 1,259 | 0 |
| Non-ringfenced Government Grants | 3,995 | 4,676 |
| Total | 31,364 | 33,512 |
| 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 | 4,386 | 188 |
| Other Grants | 4,326 | 3,631 |
| Total | 42,517 | 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 their 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 their 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 | 65 |
| Fees payable for the certification of grant claims and returns during the year | 25 | 31 |
| Total | 90 | 96 |

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 | 7,832 |
| Grants Received | 6,076 | 2,915 |
| Transfers | (2,118) | (540) |
| Funding used for capital expenditure | (3,945) | (1,717) |
| Balance at end of year: | 7,832 | 8,491 |

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31st March 2024) £3.854m and long-term (expected to be used after 1st April 2025) £4.6323.854m.

The majority of the balance (£4.959m) 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 | 1,172 |
| Grants Received | 0 | 0 |
| Transfers | 1,172 | 95 |
| Funding used for capital expenditure | 0 | 0 |
| Balance at end of year: | 1,172 | 1,267 |

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**

| Movements in 2022/23 | 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 2022 | 6,455 | 114,653 | 20,531 | 2,283 | 4,609 | 4,289 | 3,122 | 155,943 |
| Additions | 341 | 3,874 | 753 | 816 | 72 | 272 | 7,843 | 13,971 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | 0 | 5,951 | 0 | 0 | 0 | 0 | 0 | 5,951 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | (4,477) | 0 | 0 | 0 | 0 | 0 | (4,477) |
| Derecognition of assets | 22 | (389) | (937) | (340) | (55) | 0 | (1,544) | (3,243) |
| Other movements in cost or valuation | 0 | (458) | 0 | 0 | 0 | 0 | (2,393) | (2,851) |
| At 31st March 2023 | 6,818 | 119,153 | 20,347 | 2,759 | 4,626 | 4,561 | 7,028 | 165,294 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1st April 2022 | (2,257) | (472) | (9,108) | (1,384) | (4,110) | 0 | 0 | (17,332) |
| Depreciation charge | (230) | (2,290) | (1,209) | (452) | (411) | 0 | 0 | (4,592) |
| Depreciation written out to the Revaluation Reserve | 0 | 1,650 | 0 | 0 | 0 | 0 | 0 | 1,650 |
| 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 | 78 | 932 | 298 | 55 | 0 | 0 | 1,363 |
| At 31st March 2023 | (2,487) | (1,034) | (9,386) | (1,538) | (4,466) | 0 | 0 | (18,911) |
| Net Book Value | | | | | | | | |
| At 31st March 2023 | 4,331 | 118,119 | 10,961 | 1,221 | 160 | 4,561 | 7,028 | 146,381 |
| At 31st March 2022 | 4,198 | 111,385 | 11,422 | 898 | 499 | 4,281 | 3,122 | 135,806 |

The opening balance has been restated for Land & Buildings and Plant, Machinery & Equipment to reflect the componentisation of Museum assets, now transferred to Plant, Machinery & Equipment.

| Movements in 2021/22 (Restated) | Infrastructure Assets | Land & Buildings | Plant, Machinery & Equipment | Vehicles | IT & Office Equipment | Community Assets | Assets Under Construction | Total Property, Plant & Equipment |
|--------------------------------------------------------------------------------------------------|-----------------------|------------------|------------------------------|------------|-----------------------|------------------|---------------------------|-----------------------------------|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Cost or Valuations | | | | | | | | |
| At 1st April 2021 | 6,222 | 88,468 | 19,708 | 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 | 3,029 | 0 | 0 | 0 | 0 | 0 | 3,029 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | (7,452) | 0 | 0 | 0 | 0 | 0 | (7,452) |
| Derecognition of assets | 0 | (17) | 0 | (66) | 0 | 0 | 0 | (83) |
| Other movements in cost or valuation | 0 | 11,627 | 170 | 0 | 0 | 0 | (11,355) | 442 |
| At 31st March 2022 | 6,455 | 111,853 | 20,531 | 2,282 | 4,609 | 4,281 | 3,122 | 153,135 |
| Accumulated Depreciation & Impairment | | | | | | | | |
| At 1st April 2021 | (3,930) | (5,282) | (8,095) | (1,054) | (3,694) | 0 | 0 | (22,055) |
| Depreciation charge | 1,672 | (2,753) | (1,013) | (379) | (416) | 0 | 0 | (2,889) |
| Depreciation written out to the Revaluation Reserve | 0 | 7,568 | 0 | 0 | 0 | 0 | 0 | 7,568 |
| 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 | (2,258) | (467) | (9,108) | (1,384) | (4,110) | 0 | 0 | (17,327) |
| Net Book Value | | | | | | | | |
| At 31st March 2022 | 4,198 | 111,385 | 11,422 | 898 | 499 | 4,281 | 3,122 | 135,806 |
| 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 | 14,281 | 2,483 | 1,993 | 22,320 | 4,349 | 16,400 | 907 | 7,358 | 1,721 | 11,710 | 7,569 | 2,134 | 1,495 | 13,520 | 5,130 | 1,280 | 114,650 |
| Additions | 38 | 1,908 | 6 | 0 | 0 | 698 | 0 | 0 | 375 | 0 | 0 | 14 | 643 | 165 | 27 | 0 | 3,874 |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve | (528) | 431 | 0 | 0 | 233 | 185 | (9) | 7 | 3,574 | 0 | 0 | 1,188 | 197 | 497 | 276 | (101) | 5,951 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | (453) | 92 | 10 | 27 | 0 | 0 | (2,920) | (1,232) | 0 | 0 | 0 | (4,476) |
| Derecognition of Assets | 0 | 0 | 0 | 0 | 0 | (325) | 0 | 0 | 0 | 0 | 0 | 0 | 0 | (110) | 0 | 46 | (389) |
| Other movements in cost or valuation | 46 | 328 | 0 | 0 | 0 | 269 | 0 | 0 | 9 | (2,800) | 0 | 1,689 | 0 | 0 | 0 | 0 | (459) |
| At 31st March 2023 | 13,837 | 5,150 | 1,999 | 22,320 | 4,582 | 16,773 | 990 | 7,375 | 5,706 | 8,910 | 7,569 | 2,105 | 1,103 | 14,073 | 5,433 | 1,225 | 119,150 |
| Accumulated Depreciation & Impairment | | | | | | | | | | | | | | | | | |
| At 1st April 2022 | 0 | (96) | 0 | 0 | 5 | 0 | 0 | 0 | (68) | (0) | (7) | (150) | (101) | (55) | 0 | 0 | (472) |
| Depreciation charge | (628) | (93) | (21) | (12) | (41) | (952) | (26) | (5) | (45) | (8) | (17) | (5) | (210) | (220) | (7) | 0 | (2,290) |
| Depreciation written out to the Revaluation Reserve | 133 | 134 | 0 | 0 | 415 | 177 | 0 | 0 | 101 | 0 | 0 | 5 | 351 | 214 | 100 | 20 | 1,650 |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other movements in cost or valuation | 0 | 0 | 0 | 0 | 0 | 78 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 78 |
| At 31st March 2023 | (495) | (55) | (21) | (12) | 379 | (697) | (26) | (5) | (11) | (8) | | (150) | 40 | (62) | 94 | 20 | (1,034) |
| Net Book Value | | | | | | | | | | | | | | | | | |
| At 31st March 2023 | 13,342 | 5,096 | 1,978 | 22,308 | 4,961 | 16,076 | 964 | 7,370 | 5,695 | 8,902 | 7,569 | 1,955 | 1,143 | 14,011 | 5,527 | 1,245 | 118,116 |
| At 31st March 2022 | 14,266 | 2,384 | 2,024 | 22,323 | 4,346 | 11,735 | 867 | 7,357 | 1,650 | 8,916 | 7,584 | 1,984 | 1,400 | 18,137 | 5,133 | 1,279 | 111,389 |

| Analysis of Land & Buildings Movements 2021/22 (Restated) | 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 | 8,670 | 0 | 1,693 | 1,501 | 4,824 | 4,952 | 1,154 | 88,468 | |
| 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 | | (1,044) | 172 | | 3,029 | |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (162) | | | (258) | | (12) | | (532) | | | (75) | | | (6,403) | | (8) | (7,452) | |
| Derecognition of Assets | (41) | | | | | | | | | | | | | | | | (41) | |
| Other movements in cost or valuation | | | | | | 778 | | | | (170) | | | | 11,019 | | | 11,627 | |
| At 31st March 2022 | 14,254 | 2,483 | 1,992 | 22,323 | 4,348 | 15,391 | 906 | 7,359 | 1,720 | 8,915 | 7,584 | 2,133 | 1,501 | 14,534 | 5,132 | 1,280 | 111,854 | |
| 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 | | | 4,840 | 210 | 42 | 7,568 | |
| 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) | 3,603 | 1 | (1) | (465) | |
| Net Book Value | | | | | | | | | | | | | | | | | | |
| At 31st March 2022 | 14,266 | 2,384 | 2,024 | 22,323 | 4,346 | 11,740 | 867 | 7,357 | 1,650 | 8,916 | 7,584 | 1,984 | 1,400 | 18,137 | 5,133 | 1,279 | 111,389 | |
| 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 | 83,187 | |

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 | 2,471 |
| 0 Maidstone House Lift Refurbishment | 209 |
| 3,537 | 3,076 |

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 2023 in accordance with the requirements of the Code of Practice and are considered to be materially accurate at the Balance Sheet date. Where assets have a relatively low value, valuations are not carried out and the assets are instead carried at historical cost. The de minimis level below which we do not carry out valuations is £100k.

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

| | Infrastructure Assets £000 | Community Assets £000 | Land & Buildings £000 | Plant, Machinery & Equipment £000 | Vehicles £000 | IT & Office Equipment £000 | Assets Under Construction £000 | Total £000 |
|--------------------------------|-------------------------------|--------------------------|--------------------------|--------------------------------------|------------------|-------------------------------|-----------------------------------|----------------|
| Carried at historical cost | 6,818 | 4,561 | 738 | 20,347 | 2,759 | 4,626 | 7,028 | 46,877 |
| Valued at current value as at: | | | | | | | | |
| 31st March 2019 | | | 0 | | | | | 0 |
| 31st March 2020 | | | 2,815 | | | | | 2,815 |
| 31st March 2021 | | | 3,216 | | | | | 3,216 |
| 31st March 2022 | | | 36,593 | | | | | 36,593 |
| 31st March 2023 | | | 75,900 | | | | | 75,900 |
| Total Cost or Valuation | 6,818 | 4,561 | 119,263 | 20,347 | 2,759 | 4,626 | 7,028 | 165,402 |

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.

Accounting Policy – Componentisation

Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. Following a review of the property, plant and equipment asset registers it has been decided that the leisure centre and the museum will be the subject of componentisation if the replacement value of the component is significant in relation to the gross book value of the asset.

As valuations are carried out in the future we will include other properties that fall into this criteria for componentisation, which will be Lockmeadow and Maidstone House. We will review regularly to see if other properties would need to be added.

Depreciation

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

Depreciation is calculated on the following bases:

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

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

18 – INVESTMENT PROPERTIES

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

| | 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 | 287 | 788 | 1,075 |
| Transfers | 11,506 | (11,948) | (442) | 3,369 | (3,369) | 0 |
| Asset Register Adjustments | | | 0 | (380) | | (380) |
| Net gains/losses from fair value adjustments | 3,396 | | 3,396 | 115 | | 115 |
| Balance at end of year | 40,802 | 2,581 | 43,383 | 44,193 | 0 | 44,193 |

The Asset Register Adjustment line reflects the removal of a duplicate property from the Council's Asset Register.

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 | 12,006 | 480 | 515 | 348 | 13,349 |
| Additions | | | | 653 | 653 |
| Disposals | | | | | 0 |
| 31st March 2023 | 12,006 | 480 | 515 | 1,001 | 14,002 |
| 1st April 2021 | 12,006 | 480 | 515 | 348 | 13,349 |
| Additions | | | | | 0 |
| Disposals | | | | | 0 |
| 31st March 2022 | 12,006 | 480 | 515 | 348 | 13,349 |

Museum Exhibits

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

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

The total of £12.006m represents those items that have been valued to date as part of an ongoing cataloguing exercise. The value of the total collection is likely to be far higher, and is valued for insurance purposes at £17.0m (which includes items on loan to the Council, and those held in Trust at the Museum), but it is considered that it would not be cost-effective or of any significant benefit to formally value the entire collection. The value is reviewed on an annual basis for insurance purposes, and the cataloguing exercise will continue.

War Memorials

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

Statues and Sculptures

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

Other Items

This relates to three items, the civic regalia used by the Mayor, the 'Elemental' art installation on the bridge across the River Medway, and a piece of public art (a metal sculpture of a dinosaur) installed outside Maidstone East station as part of a 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 | 8,359 |
| Loans | | | | |
| Financial liabilities at amortised cost | 5,000 | 5,000 | 4,000 | 5,000 |
| Creditors | | | | |
| Financial liabilities at amortised cost | 0 | 0 | 7,677 | 7,042 |
| Other Long Term Liabilities | | | | |
| Finance Lease Liabilities at amortised cost | 905 | 308 | 567 | 597 |

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 |

Accounting Policy - 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 and liabilities 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 | | 0 | 0 |
| Short Term Investments (less than 1 yr) | 38,791 | 38,783 | 1 | 8,583 | 8,583 |
| 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 | 1 | 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 | 2022/23 | 2021/22 | 2022/23 | 2021/22 | 2022/23 |
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Balance outstanding at start of year | 4,979 | 0 | 174 | 146 | 5,153 | 146 |
| Purchases Recognised as an expense in the year | (4,979) | | 290 | 279 | 290 | 279 |
| | | | (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 | 2022/23 |
|--------------------------------|----------------|----------------|
| | £000 | £000 |
| Central government bodies | 686 | 2,460 |
| Other local authorities | 4,759 | 8,566 |
| Other entities and individuals | 14,291 | 12,753 |
| Total | 19,736 | 23,780 |

Allowance for Bad Debts

| | 2021/22 | 2022/23 |
|---------------------------------------|----------------|----------------|
| | £000 | £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 £18.154m.

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

| | 2021/22 | 2022/23 |
|-----------------------------|----------------|----------------|
| | £000 | £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 | 2022/23 |
|--------------------------|----------------|----------------|
| | £000 | £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, £8.6m 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 | 29,927 | 7,490 |
| Other public sector bodies | 21,653 | 17,381 |
| Other entities and individuals | 15,634 | 16,263 |
| Total | 67,215 | 41,135 |

Other entities and individuals are broken down as follows:

| | 2021/22 £000 | 2022/23 £000 |
|----------------------|-----------------|-----------------|
| General creditors | 5,116 | 5,396 |
| Capital creditors | 1,342 | 415 |
| Council tax payers | 251 | 341 |
| Business Rate payers | 1,713 | 638 |
| Receipts in advance | 5,994 | 8,242 |
| Deposits | 661 | 654 |
| Retentions | 557 | 578 |
| Total | 15,634 | 16,263 |

26 - PROVISIONS

| | 2021/22 £000 | 2022/23 £000 |
|------------------------------------|-----------------|-----------------|
| Business Rates Appeals - Current | 1,090 | 728 |
| Business Rates Appeals - Backdated | 1,801 | 913 |
| Planning Appeals | 261 | 261 |
| Other Provisions | 215 | 159 |
| Total | 3,366 | 2,061 |

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 2022/23 totalled £485,385 (£484,385 in 2021/22). Gross income in 2022/23 totalled £476,455 (£493,583 in 2021/22).

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

| | 2021/22 £000 | 2022/23 £000 |
|---------------------------------------------------------|-----------------|-----------------|
| Fixed Assets: | | |
| Tangible Assets | 2,439 | 2,177 |
| Investment Property | 1,103 | 968 |
| Investments | 886 | 831 |
| | 4,428 | 3,976 |
| Current Assets | 491 | 504 |
| Current Liabilities | 202 | 140 |
| Creditors: Amounts falling due after more than one year | 135 | 69 |
| Total assets less total liabilities | 4,581 | 4,271 |
| Total Charitable Funds | 4,581 | 4,271 |

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 | 54,203 | 60,234 |
| Capital Adjustment Account | 75,262 | 72,631 |
| Deferred Capital Receipts Reserve | 7 | 7 |
| Pensions Reserve | (77,890) | (12,284) |
| Collection Fund Adjustment Account | (5,641) | 490 |
| Accumulated Absences Account | (160) | (159) |
| Total Unusable Reserves | 45,780 | 120,919 |

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 | 43,798 | 54,202 |
| Upward revaluation of assets | 12,261 | 7,634 |
| Downward revaluation of assets | (2,049) | (34) |
| Asset Register Adjustments | | (1,558) |
| Difference between fair value depreciation and historical cost depreciation | 194 | (10) |
| Balance at 31st March | 54,202 | 60,235 |

The Asset Register Adjustments line reflects the removal of duplicate properties from the Asset Register, along with the addition of a number of Heritage Assets that had not previously been accounted for.

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 | 75,263 |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement: | | |
| Charges for depreciation of non-current assets | (2,889) | (4,592) |
| Amortisation of intangible assets | (132) | (130) |
| Revaluation Gains/Losses on Property, Plant & Equipment | (7,083) | (4,438) |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement | 3,396 | 115 |
| Revenue expenditure funded from capital under statute | (7,363) | (1,416) |
| Write-off of non-enhancing capital expenditure | (20) | (140) |
| | (14,092) | (10,599) |
| Adjusting amounts written out of the Revaluation Reserve | (194) | 10 |
| Net written out amount of the cost of non-current assets consumed in the year | (14,285) | (10,589) |
| 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 | 1,560 |
| Capital expenditure charged against the General Fund balance | 5,968 | 3,369 |
| | 15,815 | 7,957 |
| Balance at 31st March | 75,263 | 72,631 |

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 | 77,890 |
| Remeasurements of the net defined liability | (16,948) | (67,687) |
| 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 | 8,887 | 6,054 |
| Employer's pensions contributions | (3,832) | (3,973) |
| Closing balance at 31 March | 77,890 | 12,284 |

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) | (6,248) |
| Balance at 31st March | 5,640 | (490) |

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 | 13,936 |
| 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 | 16,581 |
| Sources of Finance | | |
| Capital receipts | (4,500) | (1,282) |
| Government grants & other contributions | (3,945) | (1,560) |
| New Homes Bonus | (3,856) | 0 |
| Other Revenue Contributions | (2,113) | (3,369) |
| | (14,414) | (6,211) |
| Increase in Capital Financing Requirement | 12,640 | 10,370 |
| Minimum Revenue Provision Set-aside | (1,403) | (1,746) |
| Closing Capital Finance Requirement | 63,967 | 72,591 |

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 | 7,047 | 4,994 |
| - Past service costs including curtailments | 0 | 15 |
| Financing and Investment Income & Expenditure: | | |
| - Net interest expense | 1,757 | 962 |
| Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services | 8,804 | 5,971 |
| 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) | 855 | (3,240) |
| - Actuarial gains and losses arising on changes in financial assumptions | 6,681 | 88,152 |
| - Actuarial gains and losses arising on changes in demographic assumptions | 5,481 | |
| - Experience gains and losses on defined benefit obligation | 3,345 | (17,308) |
| - Other actuarial gains and losses | 504 | |
| Total Post Employment Benefit Charged to the CIES | 25,670 | 73,575 |
| 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 | 8,805 | 5,971 |
| Actual amount charged against the General Fund Balance for pensions in the year: | | |
| - Employers' contributions payable to the scheme | (3,832) | (3,973) |
| | 4,973 | 1,998 |

Curtailments

There was one curtailment payment of £15,000 during 2022/23.

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 (2022/23 £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 £000 | 2022/23 £000 |
|--------------------------------------------------------------|-----------------|-----------------|
| Present value of funded obligation | 212,828 | 148,477 |
| Fair value of plan assets | (136,412) | (137,416) |
| Contributions by scheme participants | 76,416 | 11,061 |
| Present value of unfunded obligation | 1,474 | 1,223 |
| Net liability arising from defined benefit obligation | 77,890 | 12,284 |

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 | 136,412 |
| Interest on assets | 2,656 | 4,926 |
| Return on assets less interest | 937 | (3,157) |
| Administration expenses | (82) | (82) |
| Contributions by employer including unfunded | 3,832 | 3,973 |
| Contributions paid by scheme participants | 972 | 1,000 |
| Estimated benefits paid plus unfunded net of transfers in | (5,617) | (5,656) |
| Other actuarial gains/(losses) | 504 | 0 |
| Closing fair value of Scheme assets | 136,412 | 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 | 214,302 |
| Current Service cost | 7,047 | 4,994 |
| Interest cost | 4,414 | 5,888 |
| Change in financial assumptions | (6,681) | (88,152) |
| Changes in demographic assumptions | (5,481) | 0 |
| Experience loss/(gain) on defined benefit obligation | (3,345) | 17,308 |
| Past service costs, including curtailments | | 15 |
| Estimated benefits paid net of transfers in | (5,483) | (5,522) |
| Contributions by Scheme participants | 972 | 1,000 |
| Unfunded pension payments | (134) | (134) |
| Closing balance at 31 March | 214,302 | 149,699 |

Local Government Pension Scheme Assets

| | 31st March 2022 | | 31st March 2023 | |
|----------------------|-----------------|-------------|-----------------|-------------|
| | £000 | % | £000 | % |
| Equities | 84,784 | 62% | 87,686 | 64% |
| Gilts | 784 | 1% | 753 | 1% |
| Other Bonds | 18,709 | 14% | 18,048 | 13% |
| Property | 15,979 | 12% | 13,716 | 10% |
| Cash | 3,013 | 2% | 2,465 | 2% |
| Absolute return fund | 10,045 | 7% | 10,066 | 7% |
| Infrastructure | 3,098 | 2% | 4,681 | 3% |
| Total | 133,314 | 100% | 137,415 | 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 2023.

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 | 21.0 | 21.1 |
| - Women | 23.5 | 23.5 |
| Longevity at 65 for future pensioners | | |
| - Men | 22.3 | 22.3 |
| - Women | 24.9 | 25.0 |
| Financial Assumptions | | |
| RPI increases | N/A | N/A |
| CPI increases | 2.80% | 2.90% |
| Salary increases | 4.25% | 3.90% |
| Pension increases | 3.25% | 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 | +1% | 0.0% | -1.0% |
| - Present Value of Total Obligation | 128,979 | 149,699 | 176,601 |
| - Projected Service Cost | 1,837 | 2,656 | 3,816 |
| Adjustment to long-term salary increase | +1% | 0.0% | -1.0% |
| - Present Value of Total Obligation | 151,912 | 149,699 | 147,664 |
| - Projected Service Cost | 2,673 | 2,656 | 2,638 |
| Adjustment to pension increases and deferred revaluation | +1% | 0.0% | -1.0% |
| - Present Value of Total Obligation | 174,655 | 149,699 | 130,496 |
| - Projected Service Cost | 3,829 | 2,656 | 1,827 |
| Adjustment to life expectancy assumptions | +1 year | None | -1 Year |
| - Present Value of Total Obligation | 155,796 | 149,699 | 143,876 |
| - Projected Service Cost | 2,750 | 2,656 | 2,564 |

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) | (212,828) | (148,477) |
| Fair value of assets in the Local Government Pension Scheme | 113,698 | 103,305 | 133,210 | 136,412 | 137,416 |
| Present value of unfunded obligation | (1,937) | (1,591) | (1,563) | (1,474) | (1,223) |
| Surplus/(Deficit) in the scheme | (71,481) | (73,677) | (89,783) | (77,890) | (12,284) |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £12.284m 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 27th March 2024. 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 | (4,773) | (4,592) |
| Revaluation Gains & Losses | (219) | (4,442) |
| Amortisation of Intangible Assets | (132) | (130) |
| Movement in Creditors | (9,317) | 2,734 |
| Movement in Debtors | (2,738) | 1,366 |
| Movement in Inventories | (5,008) | (78) |
| Movement in Pension Liabilities | (4,973) | (2,081) |
| Derecognition of non-current assets | (4,980) | |
| Other Non-Cash items | 3,187 | 1,421 |
| | (28,953) | (5,801) |

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 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Proceeds from short-term (not considered to be cash equivalents) and long-term investments (includes investments in associates, joint ventures and subsidiaries) | 0 | 5,000 |
| Proceeds from the sale of property, plant and equipment, investment property and intangible assets | 4,329 | (1,226) |
| Any other items for which the cash effects are investing or financing cash flows | 3,945 | (1,655) |
| | 8,274 | 2,119 |

37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

| | 2021/22 £000 | 2022/23 £000 |
|--------------------------------------------------------------------------------------------------|-----------------|-----------------|
| Purchase of property, plant & equipment, investment property and intangible assets | 24,557 | 17,508 |
| 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) | (1,226) |
| Proceeds from short-term and long-term investments | 0 | 0 |
| Other payments for investing activities | 2,118 | (95) |
| Other receipts for investing activities (Grants) | (6,782) | (3,022) |
| Net cash flows from investing activities | 18,564 | 13,165 |

38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

| | 2021/22 £000 | 2022/23 £000 |
|--------------------------------------------------------------------------------------------------------------------------|-------------------------------|-------------------------------|
| Cash receipts of short- and long-term borrowing | 0 | (1,000) |
| 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 | 567 |
| Other payments/receipts for financing activities | (17,268) | 23,180 |
| Net cash flows from financing activities | (14,701) | 22,747 |

COLLECTION FUND STATEMENT & NOTES

| 2021/22 £000 | | 2022/23 £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 | | |
| | Precepts and Demands - Council Tax | | |
| 89,647 | 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 | |
| | Shares of Business Rates | | |
| 12,318 | 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 | 411 | |
| | Impairment of Debts - Council Tax | | |
| 394 | Write offs of uncollectable amounts | 426 | |
| 352 | Additional / (Reduced) Impairment of Aged Debt | 735 | |
| | Impairment of Debts/Appeals - Business Rates | | |
| 152 | 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 | (1,501) | |
| 207 | Cost of Collection Allowance - Business Rates | 205 | |
| 155,473 | Total Expenditure | | 180,102 |
| 21,062 | Surplus/(Deficit) For Year | | 14,437 |
| (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 | | (758) |
| (11,839) | Surplus/(Deficit) as at 31st March 2023 | | 2,597 |

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: 66,099.9 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

The Audit Findings for Maidstone Borough Council

Year ended 31 March 2023

April 2024

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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.

Sophia Brown
For Grant Thornton UK LLP
April 2024

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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 2023 for the attention of 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 was completed remotely during December 2023 to March 2024. Our findings are summarised on pages 30 to 38. We have identified 8 adjustments to the financial statements that have resulted in a £1.638m adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix E. We have also raised recommendations for management as a result of our audit work, these are set out in Appendix B. Our follow up of recommendations from the prior year's audit are detailed in Appendix C.

Our work is complete and there are no matters of which we are aware that would require modification of our audit opinion or material changes to the financial statements.

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

Our anticipated financial statements audit report opinion will be unmodified.

Our work on the Council's value for money (VFM) arrangements is complete. The outcome of our VFM work will be reported in our commentary on the Council's arrangements in our Auditor's Annual Report (AAR).

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 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 have completed our value for money work, which is summarised on page 22, and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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 when we give our audit opinion.

Significant matters

As highlighted on page 20 of our report, during the course of the audit both your finance team and our audit team faced audit challenges this year, such as the delays in the receipt of data, revision of the valuation report for land and buildings, revision of the IAS19 report, quality of the audit evidence and the number of errors found.

This resulted in us having to carry out additional audit procedures and add more resource to complete the audit, to gain sufficient audit assurance in respect of our auditor's opinion on the financial statements.

We acknowledge that the 2022-23 audit started straight after completing the 2021-22 audit and that many of the issues we reported in our 2021-22 Audit Findings Report would be present also in the audit of the 2022-23 draft financial statements. We were also conducting the audit at a time when the Council finance team were needing to focus on 2024-25 budgets and estimates, and 2023-24 quarter 3 reporting.

1. Headlines

National context – audit backlog

Nationally there have been significant delays in the completion of audit work and the issuing of audit opinions across the local government sector. Only 12% of local government bodies had received audit opinions in time to publish their 2021-22 accounts by the extended deadline of 30 November. There has not been a significant improvement over this last year, and the situation remains challenging. We at Grant Thornton have a strong desire and a firm commitment to complete as many audits as soon as possible and to address the backlog of unsigned opinions.

Over the course of the last year, Grant Thornton has been working constructively with DLUHC, the FRC and the other audit firms to identify ways of rectifying the challenges which have been faced by our sector, and we recognise the difficulties these backlogs have caused authorities across the country. We have also published a report setting out our consideration of the issues behind the delays and our thoughts on how these could be mitigated, please see [About time? \(grantthornton.co.uk\)](#) publication.

We would like to thank everyone at the Council for their support in working with us to complete the audit.

National context – level of borrowing

All councils are operating in an increasingly challenging national context. With inflationary pressures placing increasing demands on council budgets, there are concerns as councils look to alternative ways to generate income. We have seen an increasing number of councils look to ways of utilising investment property portfolios as sources of recurrent income. Whilst there have been some successful ventures and some prudently funded by councils' existing resources, we have also seen some councils take excessive risks by borrowing sums well in excess of their revenue budgets to finance these investment schemes.

The impact of these huge debts on councils, the risk of potential bad debt write offs and the implications of the poor governance behind some of these decisions are all issues which now have to be considered by auditors across local authority audits.

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.

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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.

Conclusion

We have completed our audit of your financial statements and we anticipate issuing an unqualified audit opinion following the Audit, Governance and Standards Committee meeting on 11 April 2024.

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff.

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.

290 Materiality levels remain the same as reported in our audit plan on 15 January 2024.

We set out in this table our determination of materiality for Maidstone Borough Council.

Council amount (£) Qualitative factors considered

| Council amount (£) | Qualitative factors considered |
|----------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Materiality for the financial statements | 1,841,000 This is approximately 2% of gross revenue expenditure. |
| Performance materiality | 1,289,000 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 | 92,000 This is 5% of materiality. |
| Materiality for disclosures relating to officer's remuneration and exit packages | 50,000 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 the 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 override of controls is present in all entities. The Council faces external scrutiny of its spending, and this could potentially place management under undue pressure in terms of how they report performance.</p> <p>We therefore identified management override of control, in particular journals, management estimates, and transactions outside the course of business as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>To address this risk we:</p> <ul style="list-style-type: none"> • Evaluated the design and implementation 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. • Gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. • Evaluated the rationale for any changes in accounting policies, estimates or significant unusual transactions. <p>Our audit work is complete and we have not identified any issues in respect of this risk.</p> |
| <p>The revenue cycle includes fraudulent transactions (rebutted)</p> <p>Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. 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; and • the 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 from 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 |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Valuation of land and buildings (including investment properties)</p> <p>The Council revalues its land and buildings on a rolling five-yearly basis to ensure that carrying value is not materially different from fair value. This valuation represents a significant estimate by management in the financial statements due to the size of the numbers involved and the sensitivity of this estimate to changes in key assumptions.</p> <p>Additionally, management will need to ensure the carrying value of assets not revalued as at 31 March 2023 in the Council's financial statements is not materially different from the current value, or the fair value for investment properties, at the financial statements date, where a rolling programme is used.</p> <p>We therefore identified valuation of land and buildings and investment properties, particularly revaluations and impairments, as a significant risk, which was one of the most significant assessed risks of material misstatement.</p> | <p>To address this risk we:</p> <ul style="list-style-type: none"> • Evaluated management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work. • Evaluated the competence, capabilities and objectivity of the valuation expert. • Held discussions with the valuer to confirm the basis on which the valuation was carried out. • Challenged the information and assumptions used by the valuer to assess completeness and consistency with our understanding, the valuer's report and the assumptions that underpin the valuation. • Tested revaluations made during the year to see if they had been input correctly into the asset register. • Evaluated the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end. <p>Our work is complete and our conclusions are reported in the section 'Financial statements – key judgements and estimates pages 12 to 13.</p> |

2. Financial statements – significant risks

Risks identified in our audit plan

Commentary

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 size of the numbers involved (£12.3m in the Council's balance sheet) and the sensitivity of the estimate to changes in key assumptions.

We therefore identified valuation of the Council's pension fund net liability as a significant risk, which was one of the most significant assessed risks of material misstatement.

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 evaluate the design of the associated controls.
- Evaluated the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work.
- Assessed the competence, capabilities and objectivity of the actuary who carried out the Council's pension fund valuation.
- Assessed the accuracy and completeness of the information provided by the Council to the actuary to estimate the liability.
- Tested the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary.
- Undertook procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performed any additional procedures suggested within the report.
- Obtained assurances from the auditor of Kent County Council 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.

The Council is a scheduled body to the Kent Pension Fund. The latest triennial valuation for the Fund was done as at 31 March 2022. This valuation provided 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 requested management to obtain a revised IAS19 report from the Council's actuary detailing the impact of this updated information on the Council's net pension liability disclosures in the prior year. Management had obtained an updated IAS19 report for 2021-22 but not for 2022-23. The updated IAS19 report for 2022-23 resulted in material changes required to the pension liability included in the draft 2022-23 statement of accounts – these are detailed in Appendix E audit adjustments.

Our work is complete and our conclusions are reported in the section 'Financial statements – key judgements and estimates page 14.

2. Financial statements – other risks

| Risks identified in our audit plan | Commentary |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Fraud in expenditure recognition</p> <p>As most public bodies are net spending bodies, the risk of material misstatement due to fraud relating to expenditure may be greater than the risk of fraud relating to revenue.</p> <p>There is a risk that the Council may manipulate its expenditure to that budgeted. Management could defer recognition of non-pay 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 to improve financial results.</p> <p>In line with Practice Note 10, having considered the risk factors related to this risk and the nature of the Council's expenditure streams we have determined that the risk of fraud arising from expenditure can be rebutted because:</p> <ul style="list-style-type: none"> - There is little incentive to manipulate expenditure recognition; - Opportunities to manipulate expenditure recognition are very limited; and - The culture and ethical framework of local authorities, including Maidstone Borough Council, mean that all forms of fraud are seen as unacceptable. <p>However, we have identified that due to the level of estimation involved in the manual accruals of expenditure, and the potential volume of large accruals at year end, there is an increased risk of error of completeness in expenditure recognition.</p> | <p>To address this risk we:</p> <ul style="list-style-type: none"> • Inspected transactions incurred 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 non-pay expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year. • Investigated manual journals posted as part of the year end accounts preparation that reduce expenditure, to assess whether there is appropriate supporting evidence for the transaction. <p>Our audit work is complete and we have not identified any issues in respect of this risk.</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 comments | Assessment |
|----------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------|---------------------|
| Valuations: Land and buildings: £118,119,000 Investment property: £44,193,000 Heritage assets: £14,002,000 | <p>Valuation of other land and buildings</p> <p>Other land and buildings comprises 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. The Council engaged Harrisons Chartered Surveyors to complete the valuation of properties as at 31 March 2023.</p> <p>Engagement with the Council's external valuer</p> <p>Our work on revaluations involved detailed testing of valuations for 13 other land and building (OLB) assets. 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 assets on 21.12.23. We understood that the OLB valuation report was not finalised at this stage and we awaited the final version of the report. Further, it was identified that the assets not revalued were material to the financial statements and thus, management requested the valuer to revalue more assets to reduce the level of assets not revalued to an acceptable amount. Management carried out a review of the assets not revalued balance (c.£43m) and concluded that the unvalued balance potentially included material uncertainty and took steps to reduce the uncertainty. We met with the external valuer to discuss queries relating to PPE assets on various occasions. It was agreed that responses to queries would be provided promptly. However, despite repeated attempts by the Council's finance team to engage with the valuer we only received the reports on 08.02.24 and the summary report was still outstanding. The additional assets that management had requested to be revalued for 2022-23 were also not provided at this stage.</p> <p>Final valuations were received after the draft 2022-23 statement of accounts was issued. Management met with the valuer to discuss and demonstrate challenge of the valuer's assumptions and significant valuation movements – as part of this exercise 3 assets valuations were challenged, Mote Park and 2 Gypsy sites, with further review requested from the valuer. Management processed all valuation updates in the fixed asset register (FAR), resulting in changes to the changes to the CIES and revaluation reserve.</p> <p>It is important to know that the management was already aware of the unvalued assets as it was an issue in the prior year. They did not have enough time to remedy the situation due to the timings of audits as explained on page 4. Management has agreed a new valuation methodology to reduce this risk going forward.</p> <p>We performed a reconciliation between the FAR and valuer's reports, identifying a material difference for 3 assets. Further issues were identified with respect to the accounting of the revaluations (these are included in Appendix D):</p> <ol style="list-style-type: none"> 1. For some revalued assets, the in-year depreciation was incorrectly reversed into the revaluation reserve rather than back through the CIES. The error amount to £282k. 2. For some revalued assets, the in-year depreciation charge was not written out, therefore reducing the net book value below the valuation. The total amount of error was £731k. 3. Management incorrectly recognised a gain on valuation within the CIES which should have been recognised in the revaluation reserve. This amount to £692k. | <p>Our work is now complete.</p> <p>We have identified a number of errors – further details are included in Appendix C.</p> | <p>Light purple</p> |

2. Financial statements – key judgements and estimates

| Significant judgement or estimate | Summary of management's approach | Audit comments | Assessment |
|-------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|--------------|
| Valuations: | Valuation of investment property | | Light purple |
| Land and Buildings: £118,119,000 | Our work on revaluations involves detailed testing of valuations for the Council's 15 investment property assets. | | |
| Investment property: £44,193,000 | We obtained responses from the Council's external valuer in January 2024. The approach taken by the valuer was consistent with the prior year. The valuer's responses to our queries raised were adequate and we concluded that there was no material issue for our opinion in relation to the valuation of investment properties. | | |
| Heritage assets: £14,002,000 | <p>Valuation of heritage assets</p> <p>The draft financial statements included a balance of £13.349m for heritage assets. The disclosure on heritage assets includes a number of categories other than museum exhibits. In our prior year Audit Findings Report we agreed that additional assets with a value of £0.652m per the Council's records should be included under these other headings. This was adjusted in the current year</p> <p>Further, we noted that for 11 heritage assets, the insurance report valuation was different to the carrying values recorded. As the insurance report is independent and a more recent valuation than the heritage assets FAR, the insurance report has been deemed more current and appropriate valuation source. However, the difference is not material to the financial statements and management has decided not to adjust on this basis, refer to Appendix D.</p> <p>Asset componentisation</p> <p>In last year's Audit Findings Report we raised that 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). The council has amended its current componentisation statement and formalised it as an accounting policy.</p> <p>In our work on the PPE transfers line within the Note 17 of the draft 2022-23 statement of accounts we identified the need for a prior period adjustment relating to componentised asset accounting. The identified issue relates to the application of componentisation to the Maidstone Museum asset. In 2022-23, the Council transferred £2.8m of other land & building assets to plant and machinery assets. In testing this transfer we identified that the Council has details of the component asset split from the 2021-22 valuation. In line with the accounting policy and material components of Maidstone Museum, the adjustment is required to made to prior year comparators and as well as the in-year transfer.</p> <p>The adjustment does not affect the net book value of the asset and adjustment is limited to the notes of the statement of accounts only. Therefore, the prior period adjustment is limited to Note 17. Further to this, we have carried out a review of all material non-componentised PPE assets and confirmed through review of valuation reports that detailed component splits are not available and the Council does not hold the required information to accurately make componentisation adjustments. Given this, we have determined that a judgement is required to inform readers that the current accounting policy may not be fully applied due to lack of valuation data.</p> | | |

2. Financial statements – key judgements and estimates

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| Significant judgement or estimate | Summary of management's approach | Audit Comments | Assessment | | | | | | | | | | | | | | | | | | | | | | | | |
|------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|---------------|-----------|---------------|---------------|-------|-------------|---|-----------------------|-------|-------------|---|---------------|-------|-------------|---|----------------------------------------------|--------------|-----------|---|------------------------------------------------|--------------|-----------|---|--|
| Net pension liability – £12.3m | <p>At 31 March 2023 the Council has a net pension liability of £12.284m 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. The latest full actuarial valuation was completed in 2022. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements. There has been a £70.8m net actuarial gain during 2022-23.</p> | <ul style="list-style-type: none"> We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditor's actuary has provided us with indicative ranges for assumptions, which we report below. In the prior year, due to the triennial valuation of the fund, management obtained a revised IAS19 report for 2021-22. It was noted that the 2022-23 IAS19 report provided by management was issued by the actuary prior to the revision of the 2021-22 report. This resulted in a difference with opening balances in the 2022-23 IAS19 report. We asked management to obtain an updated report from the Council's actuary and the differences have been reported in page 31 in of Appendix D. | Light purple | | | | | | | | | | | | | | | | | | | | | | | | |
| | | <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>4.80%</td> <td>4.80%-4.85%</td> <td>✓</td> </tr> <tr> <td>Pension increase rate</td> <td>2.90%</td> <td>2.65%-2.95%</td> <td>✓</td> </tr> <tr> <td>Salary growth</td> <td>3.90%</td> <td>3.40%-5.40%</td> <td>✓</td> </tr> <tr> <td>Life expectancy – Males currently aged 45/65</td> <td>21.1 22.3</td> <td>19.5-23.4</td> <td>✓</td> </tr> <tr> <td>Life expectancy – Females currently aged 45/65</td> <td>23.5 25.0</td> <td>22.9-25.9</td> <td>✓</td> </tr> </tbody> </table> | Assumption | Actuary value | PwC range | Within range? | Discount rate | 4.80% | 4.80%-4.85% | ✓ | Pension increase rate | 2.90% | 2.65%-2.95% | ✓ | Salary growth | 3.90% | 3.40%-5.40% | ✓ | Life expectancy – Males currently aged 45/65 | 21.1 22.3 | 19.5-23.4 | ✓ | Life expectancy – Females currently aged 45/65 | 23.5 25.0 | 22.9-25.9 | ✓ | |
| Assumption | Actuary value | PwC range | Within range? | | | | | | | | | | | | | | | | | | | | | | | | |
| Discount rate | 4.80% | 4.80%-4.85% | ✓ | | | | | | | | | | | | | | | | | | | | | | | | |
| Pension increase rate | 2.90% | 2.65%-2.95% | ✓ | | | | | | | | | | | | | | | | | | | | | | | | |
| Salary growth | 3.90% | 3.40%-5.40% | ✓ | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Males currently aged 45/65 | 21.1 22.3 | 19.5-23.4 | ✓ | | | | | | | | | | | | | | | | | | | | | | | | |
| Life expectancy – Females currently aged 45/65 | 23.5 25.0 | 22.9-25.9 | ✓ | | | | | | | | | | | | | | | | | | | | | | | | |
| | | <p>We have completed our work to review the updated actuary's report and the amendments to the accounts. We have concluded that there are no material issues for our opinion in relation to the Council's net pension liability.</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 – information technology

This section provides an overview of results from our assessment of Information Technology (IT) environment and controls which included identifying risks from the use of IT related to business process controls relevant to the financial audit. This includes an overall IT General Control (ITGC) rating of the financial reporting IT system and details of the ratings assigned to individual control areas.

Our work included:

- Obtaining an understanding of the information technology general controls over the general ledger and review design and implementation of those controls.
- Review any local controls which are managed within the Council (design and implementation of control).

| IT application | Level of assessment performed | Overall ITGC rating | ITGC control area rating | | | Related significant risks/other risks |
|----------------|----------------------------------------------------------------|--------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------|---------------------------------------|
| | | | Security management | Technology acquisition, development and maintenance | Technology infrastructure | |
| Agresso | ITGC assessment (design and implementation effectiveness only) |  Green |  Green |  Green |  Green | None |

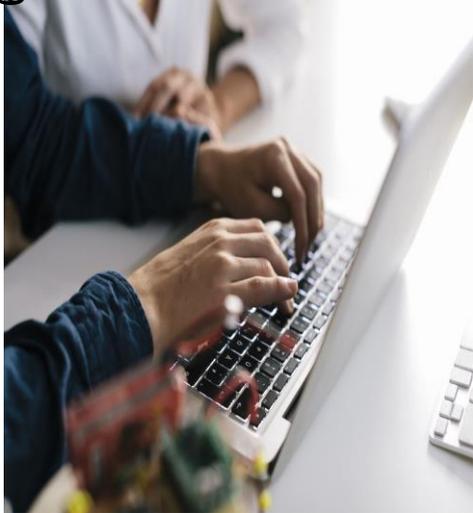
Assessment

-  Significant deficiencies identified in IT controls relevant to the audit of financial statements
-  Non-significant deficiencies identified in IT controls relevant to the audit of financial statements/significant deficiencies identified but with sufficient mitigation of relevant risk
-  IT controls relevant to the audit of financial statements judged to be effective at the level of testing in scope
-  Not in scope for testing

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.

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| 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 other incidents in the period and 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 management. |
| 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. |

2. Financial statements – other communication requirements



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| Issue | Commentary |
|-----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Audit evidence and explanations/significant difficulties | <p>All information and explanations requested from management were provided. However, we faced several challenges to complete this audit in line with the timeframe agreed with management. Below is a summary of the issues faced:</p> <p>Property, plant and equipment</p> <p>We faced delays in our work on the valuer's report. On receipt of the draft 2022-23 statement of accounts in December 2023 the valuer's report had not been finalised. It was not until end of January that the valuer's report was received and management were only able to challenge assumptions and resulting valuations in the report in early February. The final valuation report led to material changes required in the 2022-23 statement of accounts. On our review of assets not revalued we identified a material amount of assets had not been revalued, leading to management requesting the valuer to revalue two more assets. As explained on page 12, management was already aware of the unvalued assets as it was an issue in the prior year. They did not have time to remedy the situation due to the timings of audits. Further to this, the valuer took time to return with the final land & building and investment property valuation reports and responses to audit queries and requests for information. In our 'test of accounting' of the land & building revaluations, we identified significant errors in the accounting treatment of the gains/losses of revaluations (Appendix D) which has taken a significant amount of time to resolve.</p> <p>Moreover, as described on pages 12 to 13 of the report, we identified errors in Note 17 relating to PPE transfers which led to a number of iterations of Note 17, each requiring auditor review. We also identified material issues in the asset under construction balance which required increased testing.</p> <p>Pension liability</p> <p>In the prior year, due to the triennial valuation of the pension fund, management obtained a revised IAS19 report for 2021-22. The 2022-23 IAS19 report provided by management was issued by the actuary prior to the revision of the 2021-22 report, resulting in inconsistency of opening balances in the 2022-23 IAS19 report. We requested management to obtain an updated 2022-23 IAS19 report from the actuary and the differences are reported in page [31] in Appendix D. In starting the work, we did ask management to inquire from the actuary through Kent Pension Fund whether there would be impact on opening balances and were informed that the revised 2021-22 IAS19 report would not impact the current year report. However, through our audit procedures it was identified that there was impact on the reported pension liability figures and a revised 2022-23 IAS19 report was required. This situation essentially led to doubling of the time required to audit the Council's pension liability. We acknowledge that the delayed completion of the external audit in 21/22 was one of the factors that caused this additional work to be carried out.</p> |

2. Financial statements – other communication requirements



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| Issue | Commentary |
|-------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Audit evidence and explanations/ significant difficulties</p> | <p>Journals testing</p> <p>We faced several difficulties in our journals work, leading to completion of the work only coming at the end of March 2024. Some of the issues encountered are:</p> <ul style="list-style-type: none"> • The general ledger (GL) provided initially was incorrect and we had to go back and forth several times to ensure we had the right starting point for 2022-23. Each time we had to review the full GL listing to check if it was correct. • Management could not provide a report that confirmed mapping of cost centres to the financial statements in the format requested by us, i.e. a single report as opposed to a combination of reports as in previous years. It also caused significant delays in the sample selection process. • Some of the lines in the GL had misaligned journal descriptions. This led us to gain more understanding of the journals. It required some meetings with the management to understand each journal sample. • The supporting evidence received for journal samples was not sufficient, requiring subsequent requests and submissions of additional evidence.. <p>Other areas</p> <p>We faced challenges throughout the audit. Significant areas to note are:</p> <ul style="list-style-type: none"> • Management missed key columns when extracting the general ledger and trial balance. This delayed our reconciliation testing of the trial balance to the financial statements. • We faced delays in our operating expenditure completeness testing due to incorrect listings received from management. • We faced delays in capital grants in advance testing due to differences identified between the workpaper provided and the statement of accounts which needed to be rectified before testing could be started. • Some delays in payroll change in circumstance listings. • For our debtor and creditor sample testing we needed to identify sub-samples where initial samples were batch populations. We had been assured that the debtor and creditor listings had been cleansed where possible to resolve this issue. This has been raised as a control point (Appendix B). • The MIRS checker tool was not provided until the end of the audit due to the managements' need to focus on updating the main statements first. Then, the MIRS needed to be amended to reflect the final figures in the accounts. • Audit receipt of the Cash Flow Statement was delayed due to issues with balancing the statement. |

2. Financial statements – other communication requirements



| Issue | Commentary |
|------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Audit evidence and explanations/significant difficulties</p> | <ul style="list-style-type: none"> The expenditure funding analysis and capital financing requirement disclosures had long standing audit queries which were not resolved for 20-25+ days and initial responses provided did not answer the queries we had raised. We acknowledge the fact that the management had communicated to us that the individual who led on this was had a number of competing priorities and therefore this was to take slightly longer. The management is looking at resolving the resource issue and have a new resource to support the financial accounting work for the next period. Management provided several versions of the narrative report, this reflected the regular updating of the financial statements. The first version was shared by the management on 06 February 2024 whereas the draft financial statements were provided on 08 December 2023. This caused delay to review of the final version. <p>We had agreed with management that we would aim to complete audit fieldwork at the end of February 2024. Due to challenges faced and issues identified (key points summarised above), we needed to allocate more audit resource in March to complete the audit. This has resulted in additional audit fees being necessary, please refer to Appendix E.</p> |

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).

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| 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.</p> <p>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 Annual Governance Statement and 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>Inconsistencies have been identified but have been adequately rectified by management. 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 • where we are not satisfied in respect of arrangements to secure value for money and have reported significant weaknesses. <p>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. Please note that detailed work is not required as the Council does not exceed the threshold set by the NAO.</p> |
| Certification of the closure of the audit | <p>We intend to certify the closure of the 2022-23 audit of Maidstone Borough Council in the audit report, as detailed in Appendix G.</p> |



3. Value for Money (VFM) arrangements

Approach to Value for Money work for 2022-23

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.

We have completed our VFM work and our detailed commentary is set out in the separate Auditor's Annual Report, which is presented alongside this report.

As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. We did not identify any risks of significant weakness. We are satisfied that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

5. 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 and consider that an objective reasonable and informed third party would take the same view. 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.

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 F.

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 [Grant Thornton International Transparency report 2023](#).

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 | 32,400 | 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 fee for this work is £32,400 in comparison to the fee for the audit, 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. |

5. Independence and ethics

As part of our assessment of our independence we note the following matters:

| Matter | Conclusion |
|---------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Relationships with Grant Thornton | We are not aware of any relationships between Grant Thornton and the Council that may reasonably be thought to bear on our integrity, independence and objectivity. |
| Relationships and investments held by individuals | We have not identified any potential issues in respect of personal relationships with the Council or investments in the Council held by individuals. |
| 307 Employment of Grant Thornton staff | We are not aware of any former Grant Thornton partners or staff being employed, or holding discussions in respect of employment, by the Council as a director or in a senior management role covering financial, accounting or control related areas. |
| Business relationships | We have not identified any business relationships between Grant Thornton and the Council. |
| Contingent fees in relation to non-audit services | No contingent fee arrangements are in place for non-audit services provided. |
| Gifts and hospitality | We have not identified any gifts or hospitality provided to, or received from, a member of the Council's board, senior management or staff. |

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 and consider that an objective reasonable and informed third party would take the same view. The firm and each covered person and network firms have complied with the Financial Reporting Council's Ethical Standard and confirm that we are independent and are able to express an objective opinion on the financial statements.

Following this consideration we can confirm that we are independent and are able to express an objective opinion on the financial statements. In making the above judgement, we have also been mindful of the quantum of non-audit fees compared to audit fees disclosed in the financial statements and estimated for the current year.

Appendices

- A. Communication of audit matters to those charged with governance
- B. Action plan – audit of financial statements
- C. Follow up of prior year recommendations
- D. Audit adjustments
- E. Fees and non-audit services
- F. Auditing developments
- G. Draft audit opinion

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A. Communication of audit matters to those charged with governance

| Our communication plan | Audit Plan | Audit Findings |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|----------------|
| Respective responsibilities of auditor and management/those charged with governance | • | |
| Overview of the planned scope and timing of the audit, form, timing and expected general content of communications including significant risks | • | |
| Confirmation of independence and objectivity | • | • |
| Statement that we have complied with relevant ethical requirements regarding independence. Relationships and other matters which might be thought to bear on independence. Details of non-audit work performed by Grant Thornton UK LLP and network firms, together with fees charged. Details of safeguards applied to threats to independence | • | • |
| Significant findings from the audit | | • |
| Significant matters and issue arising during the audit and written representations that have been sought | | • |
| Significant difficulties encountered during the audit | | • |
| Significant deficiencies in internal control identified during the audit | | • |
| Significant matters arising in connection with related parties | | • |
| Identification or suspicion of fraud involving management and/or which results in material misstatement of the financial statements | | • |
| Non-compliance with laws and regulations | | • |
| Unadjusted misstatements and material disclosure omissions | | • |
| Expected modifications to the auditor's report, or emphasis of matter | | • |

ISA (UK) 260, as well as other ISAs (UK), prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table here.

This document, the Audit Findings, outlines those key issues, findings and other matters arising from the audit, which we consider should be communicated in writing rather than orally, together with an explanation as to how these have been resolved.

Respective responsibilities

As auditor we are responsible for performing the audit in accordance with ISAs (UK), 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.

Distribution of this Audit Findings report

Whilst we seek to ensure our audit findings are distributed to those individuals charged with governance, we are also required to distribute our findings to those members of senior management with significant operational and strategic responsibilities. We are grateful for your specific consideration and onward distribution of our report to all those charged with governance.

B. Action plan – audit of financial statements

We have identified 3 recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and will report on progress on these recommendations during the course of the 2023-24 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 |
|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 310 Medium | <p>Debtor and creditor year end listings:</p> <p>Management was been unable to prepare year end debtor and creditors listing in a format to show the value of each individual debtor or creditor balance owed at 31 March 2023. Instead, the system computes the year-end balance by taking the rolled forward balance of the prior year, plus or minus the movement in year to compute the aggregate account closing balance.</p> <p>Although the closing balances are not materiality misstated, there is a risk that by not recording the individual debtor/creditor balances the Council may not be able to identify individual debtor or creditor transactions, making it difficult ascertain the correct age of the debtors and creditors, and making it challenging to apply specific provisions if required. Further, this impacts the time taken by the audit team to draw samples and test the closing balances efficiently.</p> | <p>We recommend that management either makes alterations to the system for recording debtors and creditors or introduces a process to keep a separate ledger for individual debtor and creditor balances.</p> <p>Management response</p> <p>This was a new issue raised informally in the 2021-22 audit. At that time, we commented that we would always struggle to deliver the new requirement without substantial work to systems and significant resources. Much of the data comes from other systems outside the finance system which cannot be changed easily. Due to timing of the audits, we did not have time to consider this for the 2022-23 audit as most working papers were already complete.</p> <p>We accept that some of the samples needed better quality assurance. It has been a learning curve for both sides and we will ensure that the quality assurance is completed for the 2023-24 accounts. We will, for certain areas, provide the full breakdown of brought forward balance and the transaction in-year for areas such as accounts receivable and accounts payable.</p> |

Controls

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

B. Action plan – audit of financial statements

| Assessment | Issue and risk | Recommendations |
|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 311 | <p>Low</p> <p>Journal control environment</p> <p>From our understanding of journals entry process control environment and the risk of management override of controls, we identified that two members of the finance team have ‘super user’ rights for the financial reporting system. We have noted that these individuals are in charge of reviewing access rights on a monthly basis, and they fulfil the responsibilities of any absent individuals.</p> <p>There is a risk of segregation of duties while these individuals temporarily fulfil an absentee’s role. Moreover, granting super user rights to finance team members increases the risk of management override of controls since the individuals are involved in the journal posting process and have full access to the system.</p> | <p>We recommend that the super user access rights of the individuals be revoked and only given to only relevant IT personal to ensure proper segregation of duties.</p> <p>Management response</p> <p>This is not a significant control issue. The super user function has been in place for several years and does not pose a risk as:</p> <ul style="list-style-type: none"> • Super users cannot alter base data. This can only be done by Unit 4 now we are on the cloud, previously IT was on premises. • The two super users adhere to all segregation of duties with robust supervision. • The payment run items brought up in the audit sample where items that were approved by an approver with the appropriate approval level and coded by a distributor in workflow. The super users simply ran the report that changed the item status from an ‘a’ unauthorised transaction, to a ‘b’ authorised transaction. • The super users never fulfil the responsibilities of a responsible person where there could be a lack of a segregation of duties and all audit trails will support this. <p>Please note that there is only one super user at the Council since one has left.</p> |
| | <p>Low</p> <p>Related parties – declaration forms</p> <p>While reviewing and testing the 2022-23 related parties disclosure we identified that the Council did not obtain related party disclosure forms for 5 Senior Officers and Members (5 responses missing) which is a breach of controls put in place by the Council.</p> <p>There is a risk that all related party transactions and interests are not recorded in a timely manner for reflecting in the financial statements.</p> | <p>We recommend that management should endeavour to ensure all declaration forms are received as part of the year end accounts process to provide assurance to that the related party disclosures are complete and accurate.</p> <p>Management response</p> <p>We understand the is a risk associated with this. Of the 5 outstanding, 4 of the individuals are no longer serving councillors. The remaining 1 we are still chasing for a response.</p> <p>We will endeavour to ensure these are 100% for 2023-24. For key decisions, the councillors involved will have to confirm if they need to disclose any such matter during the meetings (as part of the formal process we run through our governance), which should reduce the risk.</p> |

Controls

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

C. Follow up of prior year recommendations

We identified the following issues in the audit of Maidstone Borough Council's 2021-22 financial statements, which resulted in 2 recommendations being reported in our 2021-22 Audit Findings report. We are pleased to report that management has implemented all of our recommendations.

| Assessment | Issue and risk previously communicated | Update on actions taken to address the issue |
|------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| ✓ | The Council does not currently have an accounting policy on asset componentisation and does not apply componentisation when depreciating its assets. | We have developed a policy for the 2022-23 accounts. Assets are aligned to this new policy over a staged period. Maidstone Leisure Centre is already componentised. Maidstone Museum has also been componentised. Other assets of significant value will be introduced in 2023-24 which covers Maidstone House, Lock Meadow and the Innovation Centre. |
| ✓ | 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. | Management has decided that the two footbridges should be depreciated over a period of 50 years. The 2021-22 accounts were amended. The impact has been to increase the total for infrastructure assets by £1.890m. |

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Assessment

- ✓ Action completed
- X Not yet addressed

D. 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

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 2023.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £'000 | Impact on reserves £'000 |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------|---------------------------------------------------|
| From our testing of the other land and building assets' revaluation we noted that valuation of three assets were not yet finalised when the draft 2022-23 statement of accounts was issued. When the final valuation report was received and our testing complete we identified that there was an upward revaluation of £1.6m and a downward revaluation for £1.3m resulting in a net increase of £0.258m to the balance sheet. | Expenditure 1,343 | Non-current assets 258 | General Fund (1,343) Revaluation reserve (258) |
| Testing the valuation of heritage assets identified that 5 assets (4 from prior year) had values, per the insurance certificate, that did not agree to the fixed asset register. | - | Non-current assets 653 | Revaluation reserve (653) |
| Testing assets under construction identified that one of the assets, Trinity Foyer, was incorrectly treated as an asset under construction as it was complete. | - | Non-current assets (1,386) | Revaluation reserve 1,386 |
| Review of assets not revalued in 2022-23 identified that the expected movement would be material to the financial statements. Management revalued additional assets of Car Parks (£0.5m increase) and Granada House (£1.943m increase). | Income (72) | Non-current assets 2,443 | Revaluation reserve (2,443) General Fund 72 |

D. Audit adjustments

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 2023.

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £'000 | Impact on reserves £'000 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------|---------------------------------------|--------------------------|
| In reconciling the valuer's report to the fixed asset register, we found that two assets, South Park and Forge Lodge, were double-counted within the investment property and PPE fixed asset register. The value of South Park cottages is £0.325m and Forge Lodge is £0.490m. | - | Non-current assets (815) | Revaluation reserve 815 |
| In NNDR testing it was identified that 5 councils from the total pool members updated their NNDR3 forms, resulting in the change to the debtor and creditor balances. | Expenditure 473 | Debtors 1,481 Creditors (1,954) | - |
| In testing long-term borrowings, we identified that £0.180m of the borrowed balance relating to various costs was not recognised as part of the liability. Therefore, the liability was understated by this amount. | Expenditure 180 | Non-current liability (180) | - |
| In testing the year end pension liability, the revised 2022-23 IAS19 report resulted in several changes and ultimately, the closing balance of the liability changed by c£7m. | (286) | (7,363) | 7,649 |
| Overall impact | £1,638 | (£6,863) | £5,225 |

D. Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2022-23 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 | CIES £'000 | Statement of Financial Position £'000 | Impact on reserves £'000 | Reason for not adjusting |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------|------------------------------------------|-----------------------------------------------|------------------------------------------------|
| In testing the value of the heritage assets, it was identified that the value of 11 assets as per the fixed asset register was different to the insurance report valuation. | - | Non-current assets (194) | Revaluation reserve 194 | Management considers the issue is not material |
| In testing the correct accounting treatment for revaluation gains and losses, it was identified that for few of the assets the in-year depreciation was incorrectly reversed to the revaluation reserve rather than the CIES, in-year depreciation was not reversed in the FAR and revaluation gains were recognised in the CIES rather than the revaluation reserve. | Income (528) | Non-current assets 732 | General Fund 528 Revaluation reserve (732) | Management considers the issue is not material |
| In testing grants received in advance we identified a number of grants received did not contain any conditions or repayment clauses. Therefore, per accounting requirements grant income should be recognised in full via the CIES in the period the grant funds were received. | - | Current liabilities (364) | General Fund 364 | Management considers the issue is not material |
| In reviewing the fixed asset register we identified that a number of fully depreciated assets were not derecognised. It is best practice that nil book value assets are not be recorded on the FAR as they effectively overstate the cost and accumulated depreciation figures. However, the net impact on the bottom line of the PPE note and primary statement is trivial. The cost and the related accumulated depreciation amounted to £3.45m and £3.44m respectively. | - | (15) | 15 | Management considers the issue is not material |
| Overall impact | (£528) | £159 | £369 | |

D. Audit adjustments

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2021/22 financial statements

| Detail | Comprehensive Income and Expenditure Statement £'000 | Statement of Financial Position £'000 | Impact on reserves £'000 | Reason for not adjusting |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------|---------------------------------------|--------------------------|------------------------------------------------|
| 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 £0.201m. | - | Property, plant and equipment (201) | Revaluation reserve 201 | Management considers the issue is not material |
| For a number of valuations, the assets life used in the external valuer's calculations were incorrect. As a result, PPE assets were overstated by £0.179m | - | Property, plant and equipment (179) | Revaluation reserve 179 | Management considers the issue is not material |
| Overall impact | | (£380) | £380 | |

D. Audit adjustments

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit.

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <p>Statement of Cashflows</p> <p>In recalculating the cashflow statement, it was identified that the cashflow statement includes an amount of £0.861m is included within financing activities. Upon investigation it was identified that this figure relates to movement in debtors and creditors for which no supporting evidence can be provided and has been used to balance the cashflow.</p> | <p>Management should investigate the difference and present the cashflow statement free from errors.</p> <p>Management response</p> <p>This is not material to the financial statements and will be rectified in 2023-24.</p> | x |
| <p>Note 17 – Property, plant and equipment</p> <p>Per the PPE revaluation disclosures, the value of the assets revalued in 2022-23 is £75.9m rather than the £74.5m disclosed. The change in the value is due to management getting few more properties revalued.</p> | <p>Management should update the figure in the disclosure to reflect the actual amount of assets revalued in 2022-23.</p> <p>Management response</p> <p>Management has updated the disclosure with the correct amount.</p> | ✓ |
| <p>Note 17 – Property, plant and equipment</p> <p>From our review and testing of the PPE disclosure we identified that there were the following errors in the transfers line of the PPE note:</p> <ul style="list-style-type: none"> The transfer of Mote Park Visitor Centre amounting to £1.689m was incorrectly stated as additions – it was transferred from assets under construction to other land & buildings; Due to an incorrect formula, an amount of £0.776m was shown as transfers rather than being treated as assets written out; King Street Housing Development (£0.142m) and Prospective Property Purchases [£0.015m] were included in the transfers line however, these should have been included in the 'Assets written out' line; and The additions line had an incorrect figure of £0.100m due to an error in reporting. | <p>Management should update the PPE note to reflect the correct classifications between the PPE lines.</p> <p>Management response</p> <p>Management has updated the disclosure with the correct classifications.</p> | ✓ |

D. Audit adjustments

Misclassification and disclosure changes

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <p>Note 17 – Property, plant and equipment</p> <p>Note 3 – Critical judgements in applying accounting policies</p> <p>In 2021-22 we reported that the Council did not have an asset componentisation accounting policy and did not apply componentisation when depreciating its assets. Management has added a componentisation policy to the 2022-23 financial statements. We have flagged that the accounting policy needs to be disclosed as a critical judgement explaining how the Council is applying the policy to the existing asset base over a phased period.</p> <p>Further to this, management has now updated the valuation of Maidstone Museum in its component parts and a prior period adjustment is required as the componentised valuation information for 2021-22 was available.</p> | <p>Management should add a critical judgement around its asset componentisation accounting policy with disclosures to be made to explain the prior period adjustment.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | ✓ |
| <p>Collection Fund disclosures: Note 1</p> <p>We identified that the council tax base disclosed was £65,896.20 instead of £66,099.9.</p> | <p>Management should update the narrative disclosures in the Collection Fund and update the table disclosing the banding and the council tax base.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | ✓ |
| <p>Note 20 – Financial instruments</p> <p>In testing the financial instruments and related disclosures, we identified the following errors:</p> <ul style="list-style-type: none"> • The prior year figure within the ‘Financial instruments categories table’ for the financial liabilities at amortised cost line did not reconcile to the audited 2021-22 statement of accounts. • The table to show the financial instruments as 31 March 2023 had nil values for both long-term and short-term instruments. • Short term Investments (less than 1 year) were incorrectly classified as level 2 in the disclosures. | <p>Management should update the narrative disclosures to correctly disclose the financial instruments.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | |
| <p>Note 15 – Capital grants received in advance.</p> <p>We identified that management carried forward the incorrect prior year figure. The closing balance for 2021-22 was stated as £9.005m whereas the audited amount was £7.832m.</p> | <p>Management should update the prior year capital grants received in advance amounts.</p> <p>Management response</p> <p>Management has updated the disclosure.</p> | ✓ |

D. Audit adjustments

Misclassification and disclosure changes

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <p>Note 27 – Trust funds</p> <p>It was noted that there was a difference of £0.306m between the audited accounts of Cobtree Manor Estate and the Council's statement of accounts. The total value of the charitable funds was £4.271m whereas it was disclosed to be £4.577m.</p> | <p>Management should update the note to correctly reflect the value of the charitable funds now the audit of the accounts has been completed since the draft statement of accounts was shared with us.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | ✓ |
| <p>Note 17 – Property, plant and equipment</p> <p>In testing the capital commitments note disclosed it was identified that management had not included the total commitment of the Granada House's refurbishment. The note was understated by £1.021m.</p> | <p>Management should update the note to correctly reflect future commitments.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | ✓ |
| <p>Note 1 – Expenditure & funding and analysis</p> <p>It was identified that the committee structure of the Council changed during 2022-23 which warranted changes in the prior year disclosures. The prior year figures for the EFA note did not reflect the structure change and the resultant changes in the figures.</p> | <p>Management should update the EFA note to correctly reflect the changes.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | ✓ |
| <p>Note 31 - Capital expenditure & capital funding</p> <p>In testing consistency between the capital expenditure and capital funding note to the capital adjustments account, it was noted that the 'non-enhancing capital expenditure' line did not match.</p> <p>Further to this, we noted that the revaluation movement line was overstated by £0.154m due to an incorrect listing and a difference between REFCUS figure in note 30b of £1,555k and £1,416 in note 31.</p> | <p>Management should update the note to correctly reflect the changes.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | ✓ |

D. Audit adjustments

Misclassification and disclosure changes

| Disclosure/issue/Omission | Auditor recommendations | Adjusted? |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------|
| <p>Note 32 – Defined benefit pension scheme</p> <p>In our testing of the Council’s net pension liability, we identified that management used an older version of the 2022-23 IAS19 report to draft the statement of accounts, which led to a difference in the opening balances per the draft statements of accounts and the prior year closing balances in the 2022-23 IAS19 report.</p> <p>Management obtained a revised version of the 2022-23 IAS19 report which resulted in various disclosure changes as summarised below:</p> <ul style="list-style-type: none"> • changes in values for the items impacting the CIES, Statement of Financial Position, and Movement in Reserves statement; • changes in the amount of liabilities in the sensitivity analysis due to the change in the closing balance and the in-year figures; • changes in scheme history details; • changes in the value of scheme assets; and • changes in the related commentary on the pension liabilities. | <p>Management should update the note to correctly reflect the changes as per the revised 2022-23 IAS19 report.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | <p>✓</p> |
| <p>Expenditure and Income Analysed by Nature</p> <p>While testing the expenditure and funding analysis’ disclosure, it was identified that there was a classification issue. We identified 6 transactions related to revaluation gains which were incorrectly posted to the fees and charges income. These transactions amounted to £962k.</p> | <p>Management should update the note to correctly classify the line items.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | <p>✓</p> |
| <p>Note 11 – Government grants and contribution</p> <p>In our testing, it was identified that there was a difference between the total of the Government grants and the total of the expenditure and funding analysis. The difference was of £181k.</p> | <p>Management should update the note to correctly disclose the balance.</p> <p>Management response</p> <p>Management has updated the disclosures.</p> | <p>✓</p> |
| <p>Various minor changes to amounts and narratives at other disclosure notes including spelling mistakes, formatting issues and cross-references.</p> | | <p>✓</p> |

E. Fees and non-audit services

We confirm below our final fees charged for the audit and provision of non-audit services.

| Audit fees 2022-23 | Proposed fee per audit plan | Final fee |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|------------------|
| Revised 2022-23 scale fee published by PSAA | £46,365 | £46,365 |
| Additional work on Value for Money under the new NAO Code | £9,000 | £9,000 |
| Increased audit requirements of revised ISA 540 | £2,100 | £2,100 |
| Increased journal testing procedures | £3,000 | £3,000 |
| New issues for 2022-23 | | |
| • Introduction of ISA 315 | £3,000 | £3,000 |
| 321 Payroll change of circumstances procedures | £500 | £500 |
| • Collection Fund – reliefs testing | £750 | £750 |
| Base 2022-23 audit fee per audit plan | £64,715 | £64,715 |
| Additional procedures/resources required (as described on pages 17-19): | | |
| • Delays caused by external valuer and high volume of adjustments to the property, plant & equipment notes. This includes meetings with the valuer, additional work on further valuations and the work on the prior period adjustment identified for asset componentisation; | | £5,500 |
| • Additional work in respect of journals testing due to issues with general ledger and trial balance, and the quality of evidence received; | | £3,500 |
| • Additional work on the pension liabilities due to the revision of the IAS19 report; | | £4,000 |
| • Additional work on various areas including change in circumstances, expenditure, debtors and creditors; | | £7,500 |
| • Multiple version of the accounts including MIRS and the narrative report, and high volume of adjustments required. | | £5,500 |
| Total audit fees (excluding VAT) | | £90,715 |

E. Fees and non-audit services

| Non-audit fees for other services | Proposed fee | Final fee |
|---------------------------------------------|---------------------|------------------|
| Housing benefit subsidy claim | £32,400 | TBC |
| Total non-audit fees (excluding VAT) | £32,400 | £TBC |

At note 14, the total disclosed for “Fees payable for the certification of grant claims and returns during the year” is £31,000. This represents the proposed fee for 2022-23 however, the work to date has not been completed and this, the final fee is to be communicated. The amount of £31,000 is an accrual and thus, we have not requested the management to change the figure since this is trivial.

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None of the above services were provided on a contingent fee basis. ○

This covers all services provided by us and our network to the group/company, its directors and senior management and its affiliates, and other services provided to other known connected parties that may reasonably be thought to bear on our integrity, objectivity or independence. (The FRC Ethical Standard (ES 1.69))

F. Auditing developments

Revised ISAs

There are changes to the following ISA (UK):

ISA (UK) 315 (Revised July 2020) 'Identifying and Assessing the Risks of Material Misstatement'

This impacts audits of financial statement for periods commencing on or after 15 December 2021.

ISA (UK) 220 (Revised July 2021) 'Quality Management for an Audit of Financial Statements'

ISA (UK) 240 (Revised May 2021) 'The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements'

A summary of the impact of the key changes on various aspects of the audit is included below:

These changes will impact audit for audits of financial statement for periods commencing on or after 15 December 2022.

| Area of change | Impact of changes |
|-----------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Risk assessment | <p>The nature, timing and extent of audit procedures performed in support of the audit opinion may change due to clarification of:</p> <ul style="list-style-type: none"> the risk assessment process, which provides the basis for the assessment of the risks of material misstatement and the design of audit procedures; the identification and extent of work effort needed for indirect and direct controls in the system of internal control; the controls for which design and implementation needs to be assess and how that impacts sampling; and the considerations for using automated tools and techniques. |
| Direction, supervision and review of the engagement | <p>Greater responsibilities, audit procedures and actions are assigned directly to the engagement partner, resulting in increased involvement in the performance and review of audit procedures.</p> |
| Professional scepticism | <p>The design, nature, timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> increased emphasis on the exercise of professional judgement and professional scepticism; an equal focus on both corroborative and contradictory information obtained and used in generating audit evidence; increased guidance on management and auditor bias; additional focus on the authenticity of information used as audit evidence; and a focus on response to inquiries that appear implausible. |
| Definition of engagement team | <p>The definition of engagement team when applied in a group audit, will include both the group auditors and the component auditors. The implications of this will become clearer when the auditing standard governing special considerations for group audits is finalised. In the interim, the expectation is that this will extend a number of requirements in the standard directed at the 'engagement team' to component auditors in addition to the group auditor.</p> <ul style="list-style-type: none"> Consideration is also being given to the potential impacts on confidentiality and independence. |
| Fraud | <p>The design, nature timing and extent of audit procedures performed in support of the audit opinion may change due to:</p> <ul style="list-style-type: none"> clarification of the requirements relating to understanding fraud risk factors; and additional communications with management or those charged with governance. |
| Documentation | <p>The amendments to these auditing standards will also result in additional documentation requirements to demonstrate how these requirements have been addressed.</p> |

G. Draft audit opinion

Our draft audit opinion is included below. We anticipate we will provide the Council with an unmodified audit report.

Independent auditor's report to the Members of Maidstone Borough Council

Report on the audit of the financial statements

Opinion on financial statements

We have audited the financial statements of Maidstone Borough Council (the 'Authority') for the year ended 31 March 2023, which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23.

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2023 and of its expenditure and income for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

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

Conclusions relating to going concern

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

In our evaluation of the Director of Finance, Resources and Business Improvement's conclusions, and in accordance with the expectation set out within the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 that the Authority's financial statements shall be prepared on a going concern basis, we considered the inherent risks associated with the continuation of services provided by the Authority. In doing so we had regard to the guidance provided in Practice Note 10 Audit of financial statements and regularity of public sector bodies in the United Kingdom (Revised 2022) on the application of ISA (UK) 570 Going Concern to public sector entities. We assessed the reasonableness of the basis of preparation used by the Authority and the Authority's disclosures over the going concern period.

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

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

Our responsibilities and the responsibilities of the Director of Finance, Resources and Business Improvement with respect to going concern are described in the relevant sections of this report.

G. Draft audit opinion

Other information

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

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

We have nothing to report in this regard.

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

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

We have nothing to report in this regard.

Opinion on other matters required by the Code of Audit Practice

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Authority and the Director of Finance, Resources and Business Improvement

As explained more fully in the Statement of Responsibilities, the Authority is required to make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In this authority, that officer is the Director of Finance, Resources and Business Improvement. The Director of Finance, Resources and Business Improvement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, for being satisfied that they give a true and fair view, and for such internal control as the Director of Finance, Resources and Business Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance, Resources and Business Improvement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they have been informed by the relevant national body of the intention to dissolve the Authority without the transfer of its services to another public sector entity.

G. Draft audit opinion

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. Irregularities, including fraud, are instances of non-compliance with laws and regulations. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

We obtained an understanding of the legal and regulatory frameworks that are applicable to the Authority and determined that the most significant which are directly relevant to specific assertions in the financial statements are those related to the reporting frameworks (international accounting standards as interpreted and adapted by the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23, the Local Audit and Accountability Act 2014, the Accounts and Audit Regulations 2015, the Local Government Act 2003, the Local Government Act 1972, the Local Government Finance Act 1988 (as amended by the Local Government Finance Act 1992) and the Local Government Finance Act 2012.).

In addition, we concluded that there are certain significant laws and regulations that may have an effect on the determination of the amounts and disclosures in the financial statements and those laws and regulations relating to [include relevant details for your audit, e.g. health and safety, employee matters, and data protection].

We enquired of management and the Audit, Governance and Standards Committee, concerning the Authority's policies and procedures relating to:

- the identification, evaluation and compliance with laws and regulations;
- the detection and response to the risks of fraud; and
- the establishment of internal controls to mitigate risks related to fraud or non-compliance with laws and regulations.

We enquired of management, internal audit and the Audit, Governance and Standards Committee, whether they were aware of any instances of non-compliance with laws and regulations or whether they had any knowledge of actual, suspected or alleged fraud.

We assessed the susceptibility of the Authority's financial statements to material misstatement, including how fraud might occur, by evaluating management's incentives and opportunities for manipulation of the financial statements. This included the evaluation of the risk of management override of controls, the risk of improper revenue recognition (rebutted) and the risk of fraud in expenditure recognition (rebutted, other than for the risk of error around estimation and cut-off processes at year end) and significant accounting estimates. We determined that the principal risks were in relation to journal entries and management bias in the calculation of estimates. Our audit procedures involved:

- evaluation of the design effectiveness of controls that management has in place to prevent and detect fraud,
- journal entry testing, with a focus on journals deemed to be high risk. We considered all journal entries for fraud and set specific criteria to identify entries we considered to be high risk. Such criteria included large manual journals, journals containing keywords which might indicate fraud, journals posted after year end, and journals with individual lines having a material impact on the Authority's surplus/deficit on the provision of services,
- challenging assumptions and judgements made by management in its significant accounting estimates in respect of land and buildings, investment property and defined benefit pensions liability valuations; and
- assessing the extent of compliance with the relevant laws and regulations as part of our procedures on the related financial statement item.

These audit procedures were designed to provide reasonable assurance that the financial statements were free from fraud or error. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error and detecting irregularities that result from fraud is inherently more difficult than detecting those that result from error, as fraud may involve collusion, deliberate concealment, forgery or intentional misrepresentations. Also, the further removed non-compliance with laws and regulations is from events and transactions reflected in the financial statements, the less likely we would become aware of it.

G. Draft audit opinion

We communicated relevant laws and regulations and potential fraud risks to all engagement team members, including the potential for fraud in revenue and expenditure recognition, and the significant accounting estimates related to land and buildings, investment property and defined benefit pensions liability valuations. We remained alert to any indications of non-compliance with laws and regulations, including fraud, throughout the audit.

Our assessment of the appropriateness of the collective competence and capabilities of the engagement team included consideration of the engagement team's:

- understanding of, and practical experience with audit engagements of a similar nature and complexity through appropriate training and participation
- knowledge of the local government sector
- understanding of the legal and regulatory requirements specific to the Authority including:
 - the provisions of the applicable legislation
 - guidance issued by CIPFA/LASAAC and SOLACE

327 ◦ the applicable statutory provisions.

In assessing the potential risks of material misstatement, we obtained an understanding of:

- the Authority's operations, including the nature of its income and expenditure and its services and of its objectives and strategies to understand the classes of transactions, account balances, expected financial statement disclosures and business risks that may result in risks of material misstatement.
- the Authority's control environment, including the policies and procedures implemented by the Authority to ensure compliance with the requirements of the financial reporting framework.

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

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

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

Under the Code of Audit Practice, we are required to report to you if, in our opinion, we have not been able to satisfy ourselves that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2023.

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

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

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

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

We undertake our review in accordance with the Code of Audit Practice, having regard to the guidance issued by the Comptroller and Auditor General in January 2023. This guidance sets out the arrangements that fall within the scope of 'proper arrangements'. When reporting on these arrangements, the Code of Audit Practice requires auditors to structure their commentary on arrangements under three specified reporting criteria:

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

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

Report on other legal and regulatory requirements – Audit certificate

We certify that we have completed the audit of Maidstone Borough Council for the year ended 31 March 2023 in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

G. Draft audit opinion

Use of our report

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 [and as set out in paragraph 44 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited]. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

[Signature]

Sophia Brown, Key Audit Partner

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

London

xx April 2024

Grant Thornton UK LLP
30 Finsbury Square
London
EC2A 1AG

11 April 2024

Maidstone Borough Council

Maidstone House,
King Street,
Maidstone, Kent ME15 6JQ

 maidstone.gov.uk
 [maidstonebc](https://twitter.com/maidstonebc)
 [maidstoneboroughcouncil](https://www.facebook.com/maidstoneboroughcouncil)

Dear Grant Thornton UK LLP

Maidstone Borough Council Financial Statements for the year ended 31 March 2023

This representation letter is provided in connection with the audit of the financial statements of Maidstone Borough Council for the year ended 31 March 2023 for the purpose of expressing an opinion as to whether the Council financial statements give a true and fair view in accordance with International Financial Reporting Standards, and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2022/23 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include:
 - valuation of the net pension liability
 - valuation of the land and buildings
 - valuation of the investment properties
 - depreciation
 - provisions
 - fair value estimates
 - accruals
 - credit loss allowance.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities includes identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. During the year we evaluated our estimation process for the depreciation of property, plant and equipment and the following change to estimation process was made:

- Under the Code the Council is required to consider componentisation of significant parts of an asset, where they are of a material financial nature or have significantly differing life expectancies. Following a review of the property, plant and equipment asset registers it has been decided that the leisure centre and the museum will be the subject of componentisation if the replacement value of the component is significant in relation to the gross book value of the asset.

We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code. Members and senior officers are requested to complete a form at year-end declaring any relevant interests or related party transactions. For the financial year 2022/23 forms were not received from four senior officers (who had left the Council) and one member. We are satisfied that there are no interests or related party transactions relating to these individuals which would need to be disclosed in the financial statements. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The Council's financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. The prior period adjustments disclosed in Note 17 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

- xv. We have updated our going concern assessment. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that:
- a. the nature of the Council means that, notwithstanding any intention to cease its operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements
 - b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and
 - c. the Council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

- xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

- xvii. We have provided you with:
- a. access to all information of which we are aware that is relevant to the preparation of the Council's financial statements such as records, documentation and other matters;
 - b. additional information that you have requested from us for the purpose of your audit; and
 - c. access to persons within the Council via remote arrangements from whom you determined it necessary to obtain audit evidence.
- xviii. We have communicated to you all deficiencies in internal control of which management is aware.
- xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.
- xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council and involves:
- a. management;
 - b. employees who have significant roles in internal control; or
 - c. others where the fraud could have a material effect on the financial statements.
- xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.
- xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the Council's financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 11 April 2024.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council.

Agenda Item 16

Audit, Governance & Standards Committee

11 April 2024

Auditor's Annual Report 2021/22 and 2022/23

| Timetable | |
|-----------------------------------------|---------------|
| Meeting | Date |
| Audit, Governance & Standards Committee | 11 April 2024 |

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

Executive Summary

The Council's external auditor, Grant Thornton, is required to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. The report is attached at Appendix A. It identifies no significant weaknesses, but a number of recommendations have been made which are being addressed.

Purpose of Report

Noting.

This report makes the following recommendations to this Committee:

1. That the Auditor's Annual Report for 2021/22 and 2022/23, attached as Appendix A, be noted.

Auditor's Annual Report 2021/22 and 2022/23

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

| Issue | Implications | Sign-off |
|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| Impact on Corporate Priorities | We do not expect the Auditor's Annual Report will affect the corporate priorities. However, they will inform strategies to implement the priorities. | Director of Finance, Resources and Business Improvement |
| Cross Cutting Objectives | The Auditor's Annual Report will not have any material impact on the cross-cutting objectives. | Director of Finance, Resources and Business Improvement |
| Risk Management | The Auditor's Annual Report for 2020/21 found that risk management arrangements were generally satisfactory. It made some recommendations for improvement which are being addressed. | Director of Finance, Resources and Business Improvement |
| Financial | The Auditor's Annual Report has confirmed that there are no significant weaknesses in financial sustainability. It has made some recommendations which are being addressed. | Director of Finance, Resources and Business Improvement |
| Staffing | No implications identified. | Director of Finance, Resources and Business Improvement |
| Legal | The Local Audit and Accountability Act 2014 sets out the framework for audit of local authorities. | Deputy Head of Legal |
| Privacy and Data Protection | None identified. | 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 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 | There are no implications on biodiversity and climate change. | Biodiversity and Climate Change Officer |

2. INTRODUCTION AND BACKGROUND

- 2.1 The Council's external auditor, Grant Thornton, is required to report on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Its report also addresses governance and financial sustainability.
- 2.2 Grant Thornton's work on the 2021/22 audit was delayed, so the opportunity has been taken, in accordance with NAO guidance, to combine reports for 2021/22 and 2022/23.
- 2.3 The report identifies no significant weaknesses. Grant Thornton have however made a number of recommendations (on pages 12 to 33 of the Appendix) which are being addressed, as set out in the accompanying management comments.

- 2.4 Grant Thornton also report on the status of previous recommendations (pages 35 to 37). Where these have not yet been addressed, the report sets out the Council's plans for doing so.
- 2.5 Grant Thornton report provides assurance that there are no significant weaknesses in financial sustainability, governance, and economy, efficiency and effectiveness. The Council nevertheless takes seriously the recommendations made by our auditors and is taking steps to address these.
-

3. AVAILABLE OPTIONS

- 3.1 As the committee charged with responsibility for overseeing the financial reporting process, the Audit, Governance and Standards Committee is asked to consider and note this report. The committee could choose not to consider this report; however, this option is not recommended since the report is intended to assist the committee in discharging its responsibilities in relation to external audit and governance.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Committee is asked to note this report.
-

5. RISK

- 5.1 The Auditor's Annual Report highlights no risks of significant weakness. A previous annual report, in 2020/21, commented specifically on the Council's risk management arrangements and found these to be generally satisfactory.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 No consultation has been taken in relation to this report.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The recommendations set out in the Auditor's Annual Report will be addressed and the outcomes reported back to the Committee where appropriate.
-

8. REPORT APPENDICES

- Appendix A: Auditor's Annual Report for 2021/22 and 2022/23
-

9. BACKGROUND PAPERS

None

Auditor's Annual Report on Maidstone Borough Council

2021/22 and 2022/23

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February 2024



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We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the National Audit Office (NAO) requires us to report to you our commentary relating to proper arrangements.

We report if significant matters have come to our attention. We are not required to consider, nor have we considered, whether all aspects of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.



The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of completing our work under the NAO Code and related guidance. Our audit is not designed to test all arrangements in respect of value for money. However, where, as part of our testing, we identify significant weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all irregularities, or to include all possible improvements in arrangements that a more extensive special examination might identify. 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.

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Executive summary



Value for money arrangements and key recommendations

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 required to report their commentary on the Council's arrangements under specified criteria. 2020/21 was the first year that we reported our findings in this way. The NAO has issued guidance to auditors which states that a commentary covering more than one financial year can be issued where it is more efficient and effective to do so. We have decided to report a combined commentary on the Council's arrangements for 2021/22 and 2022/23 set out within this report. As part of our work, we considered whether there were any risks of significant weakness in the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources. Our conclusions are summarised in the table below.

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| Criteria | 2022/23 Risk assessment | 2021/22 Auditor judgment | 2022/23 Auditor judgment | Direction of travel |
|--------------------------------------------------------|---------------------------------------------|----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------|
| Financial sustainability | No risks of significant weakness identified | A No significant weaknesses in arrangements identified, but two improvement recommendations made | A No significant weaknesses in arrangements identified, but one improvement recommendation made | ↔ |
| Governance | No risks of significant weakness identified | A No significant weaknesses in arrangements identified, but six improvement recommendations made | A No significant weaknesses in arrangements identified, but five improvement recommendations made | ↔ |
| Improving economy, efficiency and effectiveness | No risks of significant weakness identified | A No significant weaknesses in arrangements identified, but four improvement recommendations made | A No significant weaknesses in arrangements identified, but four improvement recommendations made | ↔ |

- G** No significant weaknesses in arrangements identified or improvement recommendation made.
- A** No significant weaknesses in arrangements identified, but improvement recommendations made.
- B** Significant weaknesses in arrangements identified and key recommendations made.

Executive summary



Financial sustainability

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability and we are satisfied that the Council had appropriate arrangements in place in 2021/22 and 2022/23 to manage financial risks, set budgets and effectively develop its financial plans. We have raised two improvement recommendations on pages 12 and 13.

The Council has managed its resources effectively and delivered a small surplus in 2021/22 and 2022/23. Over the same period the Council's combined total for earmarked and general fund reserves has remained relatively constant. However, in February 2023 the Council identified a cumulative revenue deficit of £14.372m from 2023/24 to 2027/28. The deficit is not significant in the first two years, but increases to £3.686m in 2025/26, £4.357m in 2026/27 and £5.5m in 2027/28. Savings plans are not yet in place to address these shortfalls.

The Council plans to increase the capital programme significantly over the next five to 10 years and to fund £164.8m of this capital programme through external borrowing. In order to make informed decisions the full cost of the capital programme and individual projects such as the 1,000 affordable homes should be calculated and made publicly available.

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Governance

Our work has not identified any significant weaknesses in the Council's governance arrangements for ensuring it made informed decisions and properly managed its risks.

We have identified some improvement recommendations (see pages 21-26) including improving how Mid Kent Audit could improve its performance, consider the Council's new governance structure to ensure it is effective and provides value for money, and consider developing an overarching housing acquisition strategy which considers all property types, the full life cost, outcomes and how progress will be assessed against these outcomes.



Improving economy, efficiency and effectiveness

Our work has not identified any significant weaknesses in arrangements to improve economy, efficiency and effectiveness. The Council had arrangements in place to manage its performance, administer its contracts appropriately and work effectively with partners.

We have identified four improvement recommendations (pages 31-34) including improving the tracking of performance of the Strategic Plan and performance management arrangements for Mid Kent Services.



Financial statements

2021/22

We completed our audit of your 2021/22 financial statements and issued an unqualified audit opinion on 17 November 2023, following the Audit, Governance and Standards Committee meeting on 13 November 2023.

2022/23

We anticipate issuing an unqualified opinion on the Council's 2022/23 financial statements in April 2024, following the Audit, Governance and Standards Committee meeting on 11 April 2024.

Our findings for both years are set out in further detail on pages 38 to 39.



Use of auditor's powers

We did not need to apply the following powers in either 2021/22 or 2022/23:

Statutory recommendations

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors can make written recommendations to the audited body which need to be considered by the body and responded to publicly.

Public Interest Report

Under Schedule 7 of the Local Audit and Accountability Act 2014, auditors have the power to make a report if they consider a matter is sufficiently important to be brought to the attention of the audited body or the public as a matter of urgency, including matters which may already be known to the public, but where it is in the public interest for the auditor to publish their independent view.

Application to the Court

Under Section 28 of the Local Audit and Accountability Act 2014, if auditors think that an item of account is contrary to law, they may apply to the court for a declaration to that effect.

Advisory notice

Under Section 29 of the Local Audit and Accountability Act 2014, auditors may issue an advisory notice if the auditor thinks that the authority or an officer of the authority:

- is about to make or has made a decision which involves or would involve the authority incurring unlawful expenditure,
- is about to take or has begun to take a course of action which, if followed to its conclusion, would be unlawful and likely to cause a loss or deficiency, or
- is about to enter an item of account, the entry of which is unlawful.

Judicial review

Under Section 31 of the Local Audit and Accountability Act 2014, auditors may make an application for judicial review of a decision of an authority, or of a failure by an authority to act, which it is reasonable to believe would have an effect on the accounts of that body.

The current LG landscape



National context

Local government in England continues to face significant challenges as a sector. These include a high level of uncertainty over future levels of government funding, alongside delays to the Government's plans for reform of the local government finance system, impacting on medium-term financial planning. This is also a time of generationally significant levels of inflation – the UK inflation rate was 7.8% in April 2022, rising to a 41-year high of 11.1% in October 2022, then reducing to 10.1% in March 2023. Inflation levels put pressure on councils' revenue and capital expenditure, as well as the associated cost of living crisis impacting on local communities and businesses, leading to an increase in demand for council services such as children with special education needs with associated transport costs, debt advice, housing needs, and mental health, as well as impacting on some areas of council income such as car parking and the collection rates of council tax, business rates and rents. This follows a significant period of funding reductions by Government (2012 to 2017) and the impacts of Brexit and the Covid-19 pandemic which, for example, have contributed to workforce shortages in a number of council service areas, as well creating supply chain fragility risks.

The local government finance settlement for 2023/24 was better than many in the sector anticipated demonstrating an understanding by Government of the financial challenges being faced by the sector. However, the Local Government Association, in July 2023, estimated that the costs to councils of delivering their services will exceed their core funding by £2bn in 2023/24 and by £900m in 2024/25. This includes underlying cost pressures that pre-date and have been increased by the pandemic, such as demographic pressures increasing the demand for services such as social care and homelessness.

Over the past decade many councils have sought to increase commercial activity as a way to generate new sources of income which has increased the nature of financial risk, as well as the need to ensure there is appropriate skills and capacity in place to manage such activities.

Local government is coming under an increased spotlight in terms of how the sector responds to these external challenges, including the Government establishing the Office for Local Government (Oflog) and there has been an increase in the number of councils who have laid a Section 114 Notice, or are commenting on the likelihood of such an action, as well as continued Government intervention at a number of councils.

There has also been an increase in the use of auditors using their statutory powers, such as public interest reporting and statutory recommendations. The use of such auditor powers typically derive from Value for Money audit work, where weaknesses in arrangements have been identified. These include:

- a failure to understand and manage the risks associated with commercial investments and council owned companies
- a failure to address and resolve relationship difficulties between senior officers and Members
- significant challenges associated with financial capability and capacity
- a lack of compliance with procurement and contract management processes and procedures
- ineffective leadership and decision-making.

Value for Money audit has an important role in providing assurance and supporting improvement in the sector.

The current LG landscape



Local context

Maidstone Borough Council (the Council) is a district council situated within Kent County Council and was formed in 1974. The Council is responsible for providing waste services, collecting council tax, planning and building control, housing services, housing benefit and a range of other services, such as parking and street cleaning.

The Council has the largest population of all the districts in Kent, with a reported population of 175,000 in 2021 (UK national census), with a 13% increase in population since 2011. IN 2021 the employment rate was 63.5% and had dropped by 9.4% since 2011.

The Council has 55 councillors, and no political party has had overall control since the elections in 2023. The Council is led by a minority Conservative administration.

In May 2021 the Council agreed at its annual general meeting to change its governance arrangements from a 'Committee System' to the 'Executive System' and this took effect from May 2022. With the 'Executive System' strategic and key decisions are made by the Executive Committee or Leader. The Executive Committee (known as the Cabinet at Maidstone Borough Council) consists of elected Members appointed by the Leader from the Conservative political party.

The Council's new governance arrangements include the following committees:

- Full Council
- Cabinet
- Overview and Scrutiny Committee
- Four Policy and Advisory Committees
- A range of regulatory/statutory committees, such as Licensing, Planning and the Audit, Governance and Standards Committee

Securing economy, efficiency and effectiveness in the Council's use of resources

All councils are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. The Council's responsibilities are set out in Appendix A.

Councils report on their arrangements, and the effectiveness of these arrangements as part of their annual governance statement.

Under the Local Audit and Accountability Act 2014, we are required to be satisfied whether the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

The National Audit Office's Auditor Guidance Note (AGN) 03, requires us to assess arrangements under three areas:

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Financial sustainability

Arrangements for ensuring the Council 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).



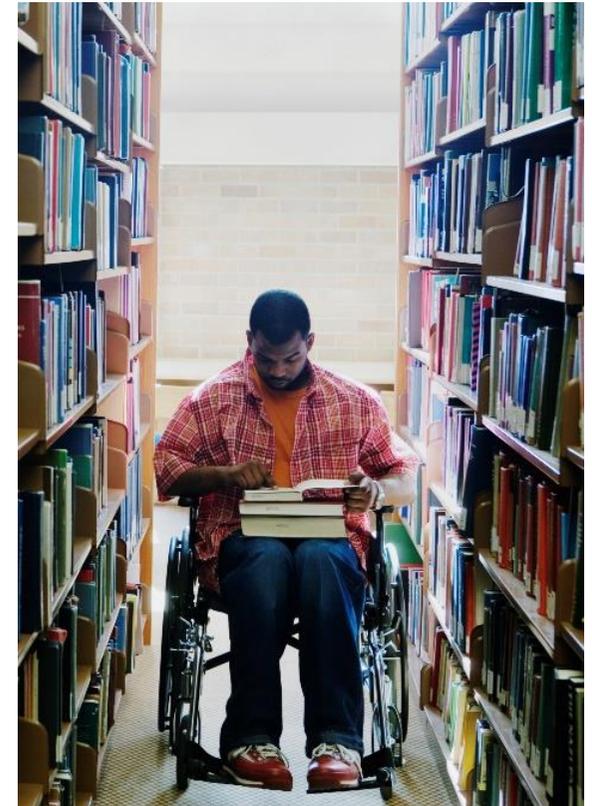
Governance

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



Improving economy, efficiency and effectiveness

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



Our commentary on the Council's arrangements in each of these three areas, is set out on pages 9 to 34.

Financial sustainability



We considered how the Council:

- identifies all the significant financial pressures that are relevant to its short and medium-term plans and builds them into its plans
- plans to bridge its funding gaps and identify achievable savings
- plans its finances to support the sustainable delivery of services in accordance with strategic and statutory priorities
- ensures its financial plan is consistent with other plans such as workforce, capital, investment and other operational planning which may include working with other local public bodies as part of a wider system
- identifies and manages risk to financial resilience, such as unplanned changes in demand and assumptions underlying its plans.

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Medium Term Financial Planning

The Council has a Medium Term Financial Strategy (MTFS) which is refreshed annually and runs for five years on a rolling basis. This allows financial risks and challenges to be managed over an appropriate time frame and to reflect the implications of the annual funding settlement in its financial plans.

Financial planning includes use of different scenarios, with the most likely one used to inform the budget. Appropriate assumptions are used for key factors such as inflation and council tax increases. In setting the 2023/24 budget the Council included inflation related pressures of £3.5m. The Council has also been able to build up a contingency of £1.3m which can be used in the event that inflation is higher than forecast.

The MTFS was agreed as part of the budget setting process for both 2021/22 and 2022/23 by Full Council. The financial plan assumes reasonable increases in the council tax base, with the reason for this, including historic data, included in the budget setting report.

Figure 1 opposite sets out the revenue and capital year-end position for 2021/22 and 2022/23. In February 2023, as part of the Council's MTFS and budget papers, the Council identified a cumulative revenue deficit of £14.372m from 2023/24 to 2027/28. The deficit is not significant in the first two years, but increases to £3.686m in 2025/26, £4.357m in 2026/27 and £5.5m in 2027/28. This is a significant shortfall in funds for which detailed savings plans will be required.

Figure 1: Revue and capital outturn 2021/22 and 2022/23

| | 2022/23 | 2021/22 |
|----------------------------|----------|----------|
| Planned revenue net budget | £23.231m | £19.695 |
| Actual revenue expenditure | £23.019m | £19.228m |
| Year-end underspend | £0.212m | £0.467m |
| Planned capital spend | £32.631m | £33.629m |
| Actual capital spend | £16.335m | £26.431m |
| Year-end underspend | £16.296m | £7.198m |

The savings required in 2021/22 and 2022/23 were not significant and were deducted from existing budgets. As a result, monitoring arrangements focussing only on savings were not considered necessary. The Council relied upon the standard monitoring of financial performance against budget, which was reported to Members on a quarterly basis.

Financial sustainability

The Council does not have savings or income generation plans in place to address the projected significant budget short fall from 2024/25 onwards and is planning to do this after the local elections in May 2024. Whilst recognising that the elections in May 2024 provide a four-year term for all Members, so that longer term decisions can be made, not having fully developed plans in place to address the longer-term financial deficit is an area for improvement. Effective savings plans require elapsed time before they will begin to deliver cashable savings, so if plans were not developed until the summer of 2024, it is unlikely that savings plans would not begin to deliver until 2025/26. We note that previous savings plans have not necessitated detailed consultation with residents and businesses. This is likely to change as more significant savings plans are required.

We have raised the following improvement recommendation (page 12): **The Council should develop savings and income generation plans that will address the significant funding gap expected from 2025/26. As part of this process the Council should introduce:**

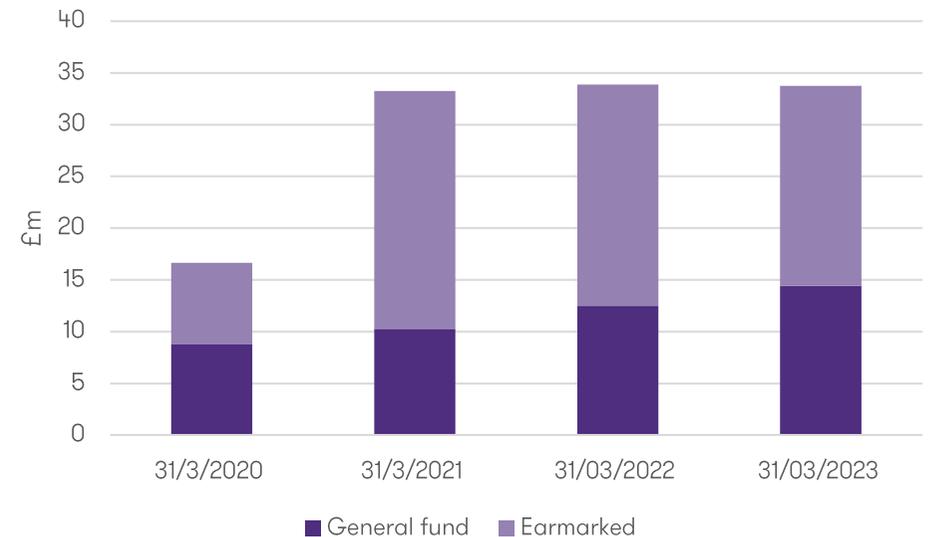
- monitoring arrangements so that the progress of individual savings plans can be monitored by Members throughout the year
- consultation with residents and businesses on suggested savings plans.

Reserves and risk mitigation

The purpose of the unearmarked general fund (GF) reserve is to meet costs arising from any unplanned or emergency events such as unforeseen financial liabilities or natural disasters. These reserves also act as a financial buffer to help mitigate against the financial risks the Council faces and can be used to a limited degree to 'smooth' expenditure on a one-off basis across years. Whereas earmarked reserves are set aside for specific purposes.

Figure 2 opposite illustrates that the Council has been able to increase its general fund reserves in recent years to £14.4m at the end of 2022/23 and that the combined total for earmarked and general fund reserves has remained relatively constant.

Figure 2: Level of general fund and earmarked reserves from 31 March 2020 to 31 March 2023



The Chief Finance Officer's assessment of the robustness of estimates and adequacy of reserves is comprehensive, balanced and robust. Scenario planning ensures that estimates are reasonable and the level of balances held, which could be used to offset any unexpected overspends, are £14.4m which is nearly 50% of net income.

Whilst the Council has a significant financial challenge on the horizon, with the budget gap, we consider that it has sufficient reserves and that its lack of savings plans is not a significant weakness in arrangements but should be addressed as soon as possible.

Financial sustainability

Capital strategy

The Capital Strategy, a five-year strategy, was presented as part of the annual budget setting reports and includes the three major housing projects, the 1,000 affordable Housing Programme, private rented sector and temporary accommodation. The capital strategy outlines the main projects contributing to the four corporate objectives and their forecast expenditure, as illustrated in figure 3 below.

Figure 3: Proposed capital programme for the next five years

| Proposed capital spend | Capital programme all projects | 1,000 affordable housing element | Private rented sector | Temporary accommodation |
|------------------------|--------------------------------|----------------------------------|-----------------------|-------------------------|
| £m | £m | £m | £m | £m |
| 2023/24 | 39.5 | 6.1 | 3.1 | 12.0 |
| 2024/25 | 49.7 | 20.1 | 6.8 | 12.0 |
| 2025/26 | 47.6 | 22.8 | 6.8 | 8.0 |
| 2026/27 | 35.0 | 25.5 | 9.6 | 0 |
| 2027/28 | 30.6 | 22.4 | 6.9 | 0 |
| Total | 202.4 | 96.9 | 33.2 | 32.0 |

The Council has secured social housing grant of £24.5m to support the delivery of the 1,000 affordable homes and secured £80m in advanced borrowing.

The Council plans to increase the capital programme significantly over the next five to 10 years and to fund £164.8m of this capital programme through external borrowing.

Although we have illustrated the capital costs of the housing projects the Council also has other high value projects such as, £12.5m on corporate property acquisitions, £5.3m on biodiversity and climate change, and £7m for leisure provision. Looking over the next 10 years from 2023/24 to 2032/33 the capital programme is £365m, of which nearly £300m (82%) is forecast to be financed through external borrowing.

The Minimum Revenue Provision required is projected to increase from £0.865m in 2022/23 to £6.5m in 2032/33 and total over £45m for the next 10 years. Total financing costs are forecast as £8.5m in 2027/28, but are not shown beyond that date. This compares to £0.8m in 2022/23. Financing costs in 2027/28 represent over 30% of the Council's forecast net revenue. These are very significant changes over a comparatively short (10 year) period.

This information does not take into account that the cost of borrowing (financing and debt repayment) is likely to continue beyond 10 years and could extend to 20-25 years. In order to make informed decisions the full cost of the capital programme and individual projects such as the 1,000 affordable homes should be calculated and made publicly available. We have raised an improvement recommendation (page 13): **the Council needs to publicly report the full life cost of the current capital programme to ensure it is affordable – financing costs and debt repayment will continue well beyond 2032/33.**

Figure 1 on page 9 illustrated that there has been significant capital underspend in 2021/22 and 2022/23. In 2022/23 the underspend was due to slippage in three projects:

- Temporary accommodation - £3.9m slippage due to high property prices meant that purchases did not occur
- Corporate property acquisitions - £3.2m slippage as no suitable properties to purchase
- 1,000 affordable housing - £3.2m slippage as a large-scale scheme had not progressed as planned

Members are provided with regular updates and explanations of the slippages.

Auditor judgement

Our work has not identified any significant weaknesses in arrangements to secure financial sustainability and we are satisfied that the Council had appropriate arrangements in place in 2021/22 and 2022/23 to manage financial risks, set budgets and effectively develop its financial plans.

Improvement recommendations



Financial sustainability

Recommendation 1

The Council should develop savings and income generation plans that will address the significant funding gap expected from 2025/26. As part of this process the Council should introduce:

- monitoring arrangements so that the progress of individual savings plans can be monitored by Members throughout the year; and
- consultation with residents and businesses on suggested savings plans.

Audit year

2022/23

Why/Impact

The size of the forecast budget gap will require significant savings to be delivered and is likely to require detailed savings plans to ensure delivery.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

Summary findings

The Council has a significant cumulative revenue deficit of £14.372m from 2023/24 to 2027/28. The deficit is not significant in the first two years, but increases to £3.686m in 2025/26, £4.357m in 2026/27 and £5.5m in 2027/28. The Council does not have savings or income generation plans in place to address this projected budget short fall.

Effective savings plans require elapsed time before they will begin to deliver cashable savings, so if plans are not developed until the summer of 2024, after the May 2024 elections, it is unlikely that they would not begin to deliver until 2025/26.

Management comments

We will be preparing an updated MTFS for 2025/26 onwards to revise the position (using the 4 scenario approach). We have been clear it will involve significant decisions around service levels and also a review of the capital programme to reduce and reprofile to reflect a more affordable programme. We will engage the new cabinet following the all out election in May 2024 to progress this as part of the regular budget process.

We currently monitor savings delivery as part of the quarterly reviews by the S151 with Heads of Service and this will continue.

Consultation with residents occur every year to inform the budget process and will be expanded to include businesses. We know going forward we may need to change the questions to get feedback around service reductions and priorities due to a much tighter financial envelope.

The range of recommendations that external auditors can make is explained in Appendix B

Improvement recommendations



Financial sustainability

Recommendation 2

The Council needs to publicly report the full life cost of the current capital programme to ensure it is affordable – financing costs and debt repayment will continue well beyond 2032/33.

Audit year

2021/22 and 2022/23

Why/Impact

The Council plans to fund a large proportion of the capital programme from external borrowing. This borrowing will need to be repaid over a period longer than 10 years.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

Summary findings

The Council plans to increase the capital programme significantly over the next five to 10 years. Over the next 10 years from 2023/24 to 2032/33 the capital programme is £365m, of which nearly £300m (82%) is forecast to be financed through external borrowing.

The Minimum Revenue Provision required is projected to increase from £0.865m in 2022/23 to £6.5m in 2032/33 and total over £45m for the next 10 years. Total financing costs are forecast as £8.5m in 2027/28, but are not shown beyond that date. This compares to £0.8m in 2022/23.

Management comments

At present we do not have significant levels of borrowing but are aware of the need to increase visibility of the costs of borrowing. We will add further details of the full life cost of borrowing to future capital/revenue and Treasury Management reports so the full life costs of borrowing is made more transparently.

Individual business cases such as for new housing schemes include the cost of borrowing as part of its assessment to ensure it delivers the right rate of return. We are also developing our Housing Revenue Account forecast, which will building in the cost of borrowing.



The range of recommendations that external auditors can make is explained in Appendix B

Governance



We considered how the Council:

- monitors and assesses risk and gains assurance over the effective operation of internal controls, including arrangements to prevent and detect fraud
- approaches and carries out its annual budget setting process
- ensures effective processes and systems are in place to ensure budgetary control; communicate relevant, accurate and timely management information (including non-financial information); supports its statutory financial reporting; and ensures corrective action is taken where needed, including in relation to significant partnerships
- ensures it makes properly informed decisions, supported by appropriate evidence and allowing for challenge and transparency. This includes arrangements for effective challenge from those charged with governance/audit committee
- monitors and ensures appropriate standards, such as meeting legislative/regulatory requirements and standards in terms of staff and board member behaviour (such as gifts and hospitality or declaration/conflicts of interests) and where it procures and commissions services.

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Governance is the system by which organisations control and operate and is the mechanism by which they and their staff are held to account. Risk management, internal control, compliance and maintaining standards are all elements of governance. Effective governance requires both clear and unambiguous structures, processes and effective working of people within these frameworks. Good governance also requires an open and transparent culture.

Risk management

The Council has a risk management framework that sets out how the Council identifies, manages, and monitors uncertainty and risk. The framework was reviewed, updated and approved by Policy and Resources Committee in April 2019. The Council should consider if this framework requires updating – we have raised an improvement recommendation on page 21.

The Mid Kent Audit Service throughout 2021/22 and 2022/23 was responsible for facilitating and co-ordinating the risk management processes across the Council.

In 2021/22 the Policy and Resources Committee had overall responsibility for risk identification and mitigation and received quarterly risk monitoring reports. The Audit, Governance and Standards Committee had an assurance role to ensure the Council was operating an effective risk management process and received an annual monitoring report.

During December 2021, the Council's insurers, Zurich performed a desktop review of the framework and how risk information is reported. Zurich concluded that good

arrangements were in place with “evidence of a strong process led by the audit function as the key conduit for the flow of information”.

In 2022/23 similar arrangements were in place, but the quarterly risk management reports were presented to the Cabinet. The Council also improved its risk management arrangements by rolling out risk management software – JCAD. The software is available to all risk owners and senior management allowing them to view and update their risks. JCAD should provide a more efficient risk management process and more effective reporting of risk information.

Internal Control

Internal Audit services were provided by Mid Kent Audit, a shared service with the Council and Ashford, Swale and Tunbridge Wells Borough Councils.

2021/22 was a challenging year for the service as the work delivered was limited by Covid-19 and there were significant staff changes within the team, with high turnover and the departure of both the Head of Audit and Deputy. A positive Head of internal Audit opinion was given for the year, however, the service had to rely upon other sources of evidence to enable this opinion to be given, as the amount of work completed was less than planned.

2022/23 similarly posed a challenge as work had to be completed that had been carried forward from the previous year. A positive Head of internal Audit opinion was given, but again this was only possible by relying on other sources to provide assurance.

Governance

Figure 4 below illustrates that Internal Audit's performance has been below expectations. We would normally expect an internal audit service to be delivering over 80% of its planned audits.

Figure 4: Analysis of work completed by Internal Audit compared to planned audits

| | Planned audits | Audits completed | % completed |
|---------|----------------|------------------|-------------|
| 2020/21 | 14 | 12 | 86% |
| 2021/22 | 18 | 11 | 61% |
| 2022/23 | 14 | 8 | 57% |

We note that the audit reviews in 2022/23 were not completed as planned for similar reasons to 2021/22 but also due to management deferring or cancelling reviews.

Based on this performance we have raised an improvement recommendation (page 22): **The Council should consider how Mid Kent Audit could improve its performance and increase the proportion of audits completed in line with its plan. This consideration should include review of how the Council manages and ensures delivery of planned audits.**

We recognise that the Mid Kent Audit service is a shared service, and the Council may need to discuss performance with the other partners to determine if the above performance is limited to the Council or is any issue across all partners.

The counter fraud services were provided by Mid Kent Audit, except for benefit investigations which were carried out by the Revenue and Benefits shared service. In 2021/22 this work included review of compliance with the Covid-19 grant requirements.

The Council has an agreed anti-fraud and corruption policy which was last updated in January 2020, this policy was due for renewal in 2022, but has yet to be updated – we have raised an improvement recommendation on page 21.

Monitoring standards

The Council has codes of conduct which are incorporated into the Constitution these codes set out the standard of behaviour which are expected from Members and officers. The Council has a Whistleblowing Policy last updated in September 2016, available on the Council's website. In 2020/21 we raised an improvement recommendation that both the codes of conduct and the whistleblowing policy should be updated.

The Members' code of conduct was updated and adopted by the Council in February 2024, whereas the officers' code of conduct has yet to be updated and the whistleblowing policy still requires updating.

Our work has not identified any non-compliance with the Constitution, statutory requirements or legislative requirement during 2021/22 or 2022/23.

The Constitution requires that both Members and employees are required to declare gifts and hospitality and interests. Through both years these declarations have been made, as necessary by Members and officers. Officers are required to register their interests upon appointment and should resubmit their declaration when the Council recirculates the requirement every three years. However, this request has not been recirculated since 2019 and we raise an improvement recommendation in this area (page 23): **The Council should circulate its declaration of interest form to all employees and ensure this is undertaken every three years in line with the Council's Constitution.**

Governance

Decision making and the new governance structure

From May 2022 the Council changed its governance arrangements from a 'Committee System' to the 'Executive System'. The new structure is illustrated in figure 5 opposite.

With the 'Executive System' strategic and key decisions are made by the executive committee or leader of the Council. The executive committee (known as the Cabinet at Maidstone Borough Council) consists of elected Members appointed by the Leader from the Conservative political party.

The Council's new governance arrangements include the following committees:

- Council
- Cabinet
- Overview and Scrutiny Committee
- Four Policy and Advisory Committees
- A range of regulatory/statutory committees, such as Licensing, Planning and the Audit, Governance and Standards Committee.

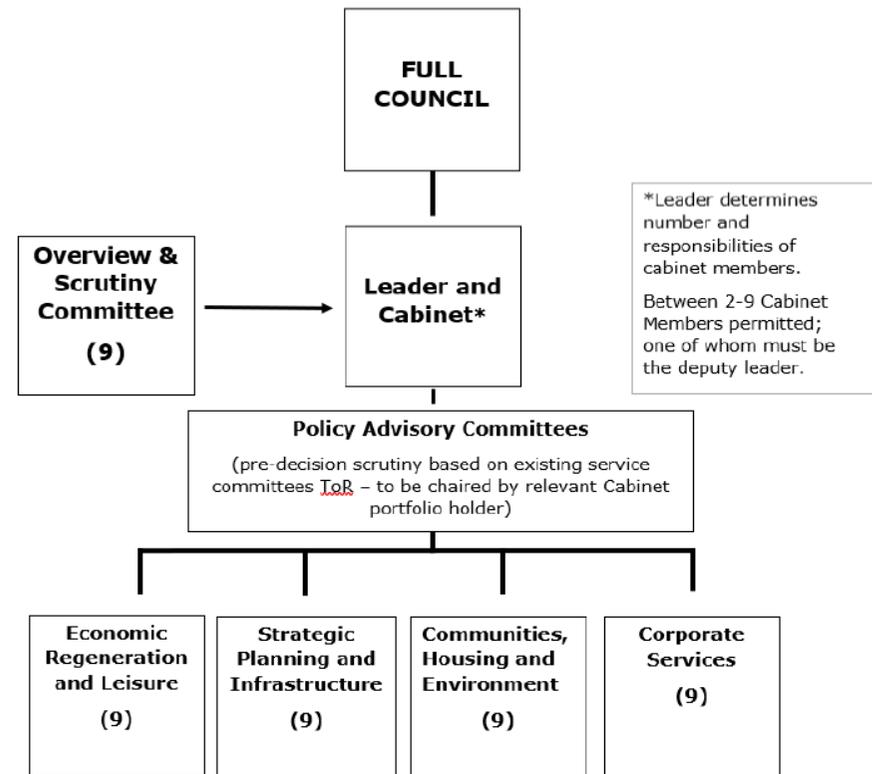
However, this structure differs from the executive system we have observed at many councils across England and follows a more hybrid approach with the introduction of four Policy and Advisory Committees (PACs). The PACs are not decision making committees, but follow a similar structure to the committee system which was in place previously, where the Council had four decision making committees and did not have a scrutiny committee.

The aim of the PACs was to ensure greater cross-party involvement in the decisions and policy development. It is the Council's intention, as set out in the Constitution, that all decisions taken by Cabinet (apart from pledges by the administration) will go through a PAC.

The existing governance structure enables wider Member involvement which would ordinarily be undertaken within the scrutiny function and audit committee, but has a number of disadvantages, such as:

- increasing the amount of resources, both officer and member, required to support and maintain this hybrid structure;
- duplicating and lengthening the decision-making process as decisions pass through a related PAC before the decision is made by Cabinet or the Leader;
- undermining the authority of the portfolio holder; and
- marginalising the role of overview and scrutiny and not enabling scrutiny to develop.

Figure 5: New governance structure from May 2022



*This diagram does not include regulatory/statutory/other Committees such as; Audit, Governance and Standards, Licensing, Planning, Crime and Disorder Committee, Appointment Sub-Committee, Democracy and General Purposes Committee.

Governance

Scrutiny function

We also considered the work undertaken by the Overview and Scrutiny Committee since its formation. The Overview and Scrutiny Committee is not a decision-making committee and is intended to act as a challenge to the Cabinet. It can request Cabinet or a Cabinet Member to reconsider a decision through the call-in process. It can undertake reviews and investigations into areas of concern or policy development areas, are able to express views on Council decisions and undertaken pre-decision scrutiny of any decision, subject to urgency provisions.

PACs consider matters before they go to Cabinet to offer advice and are therefore undertaking a form of pre-decision scrutiny.

The Overview and Scrutiny Committee met for the first time in June 2022 and met a further nine times in 2022/23. The first meeting included a work programming session. At the meeting four areas for detailed review were agreed. Throughout the remainder of 2022/23 one decision was subject to the call-in process and the committee were predominately focused on detailed areas of review such as the Council's Waste Strategy. The Committee's work programme did not include pre-decision scrutiny and did not follow the workplan of the Cabinet. This is an approach which the PACs are following as opposed to the Overview and Scrutiny Committee.

Based on our findings we have raised an improvement recommendation (page 24): **The Council should consider its existing decision-making structure to ensure it is effective and provides value for money. The Council should take into account the following:**

- the resources required to maintain this structure;
- the length of time it takes a decision to be made; and
- the role of scrutiny and whether a more effective approach might involve two scrutiny committees instead of the four Policy Advisory Committees.

Meeting the housing needs of residents

The Council has made a number of decisions to improve the housing provision of its residents this included:

- the building of 1,0000 affordable homes over a 10 year period starting in April 2022, costs in the region of £200m;
- to extend the availability of housing within the private rented sector by building 200 such homes over a five-year period, with costs in the region of £46m; and
- the purchase and repair of properties to use as temporary accommodation, this investment began in 2017 and should be completed by 2025/26. A further 80 properties of various sizes will be purchased.

The 1,000 affordable homes is the most significant project, but combining all of the above the Council is looking at purchasing 1,280 additional homes.

The planned capital spend over these three initiatives was included in figure 3 on page 9.

1,000 affordable homes

This project was agreed in January 2022 by the Policy and Resources Committee. The homes would be owned by the Council and rented to residents at affordable rates, to be let at 80% of the market rent. Despite this project being likely to benefit from Section 106 monies and grants from Home England, each home delivered will have a viability gap, which is the difference between the likely cost and the investment value of the property. In January 2022 this was reported as £17,600 per home. To fund this gap the Council has set up a Maidstone Housing Investment Fund (MHIF) and would need to be £17.6m over ten years. This subsidy has since increased to £50m.

In 2022/23 the Council has £3.2m held within the MHIF and anticipates this will increase to £4m in 2023/24. The Council hopes to have set aside £10m by 2027/28 when it hopes to have 200 affordable homes.

The Council is only able to hold 199 affordable homes within its General Fund. Above this threshold homes would need to be held within a Housing Revenue Account (HRA) or an alternative sought.

Governance

The decisions as to whether an HRA should be established has not yet been made. The Council is considering other options and has sought specialist legal advice to enable it to make this decision. The homes cannot be held by Maidstone Property Holdings (MPH), as MPH cannot access grant funding from Homes England or hold homes delivered through Section 106 agreements.

In January 2024 an update was provided to Cabinet, on both the 1,000 affordable homes project and the private rented sector homes project. At this point the Council's housing portfolio included 29 affordable rented homes, expected to increase to 49 homes by 31 March 2024.

From 2022 the Council has been setting up the New Business and Housing Development Team. The team has been established to identify suitable sites for house building and will be covering all the Council's housing needs, not just affordable homes. Consideration needs to be given to how the 1,000 affordable homes will be managed.

The additional homes which the Council intends to deliver are not expected to meet the latest environmental requirements and as such are expected to have a significant impact on the Council's 2030 net zero commitment.

Annual updates on how the Council is progressing its objectives to meet residents' housing needs have been provided to Members and information is provided within the MTFs and the Capital Strategy. However, this is a complex issue and to fully understand the impact a range of documents need to be understood. We consider that an overarching summary document which brings together all this information would be beneficial. This would promote good governance, openness and transparency. Such a document should consider all housing schemes, the full cost of borrowing (as discussed on page 11), how the housing stock should be held and managed and its impact on other priorities such as climate change. It should also include the level of subsidy for each property and how the Council plans to meet this requirement over the life of the project.

We have raised the following improvement recommendation (page 25): **The Council should develop an overarching housing acquisition strategy which considers all property acquisitions, the full life cost, Council's level of subsidy, outcomes and how progress will be assessed against these outcomes. Considerations should also be given to the skills and capacity required to manage:**

- the Council's acquired housing stock in its various forms; and
- The Housing revenue Account.

Maidstone Property Holding (MPH)

MPH is a limited company wholly owned by the Council. It was established in 2016 and aims to act as a landlord in the private rented sector within the boundaries of the Council. The properties are held by the Council and leased to MPH.

MPH is a separate legal entity and whilst is solely providing services for the Council it is not another directorate of the Council and as such needs to have separate governance arrangements and will need to comply with different legislation.

The MPH Board consists of four Directors who are all employees of the Council:

- Director of Regeneration and Place
- Director of Mid Kent Services
- Head of Housing, Environmental Health, Community Protection & Licensing
- Interim Head of One Legal, Part of Mid Kent Services

Whilst it is possible for officers to be directors of locally authority companies, it is important that potential conflicts of interest are considered and managed. Potential conflicts could occur, and existing arrangements do not ensure that potential conflicts are identified, managed and mitigated accordingly.

The last business plan, articles of association and services agreement were agreed by the Policy and Resources Committee in July 2019. It was at this meeting that it was also agreed that this committee would act as the shareholder representative.



Governance

In 2022/23 the quarterly financial performance reports included a short section on MPH. This was added following an Internal Audit report that identified that there should be a mechanism to enable the company to report to the Council. However, this was high level and did not include performance against its business plan.

We have raised the following improvement recommendation (page 26):
The Council should review the governance arrangements for Maidstone Property Holding to ensure that financial performance is reported to and monitored by the Council and that the potential conflict of interest between officers who are also Board members is reviewed. Specifically, we recommend that the Council:

- 357
- approves an annual company business plan;
 - confirms which committee is acting as the shareholder;
 - improves the performance information included within the quarterly financial performance provided to Members, including performance against the agreed business plan; and
 - review the potential conflict of interest created by the appointment of officers as company directors and ensure the risks are managed and mitigated.

Auditor judgement

Our work has not identified any significant weaknesses in the Council's governance arrangements for insuring it made informed decisions and properly managed its risks.



Financial governance

Budget setting process

The budget setting process began in both 2021/22 and 2022/23 with the development of the MTFS, which also included the budget timetable. The MTFS was reviewed and discussed by the following, Corporate Leadership Team (CLT) and the Wider Leadership Team, before review by Members. In 2021/22 this was the Policy and Resources Committee whereas in 2022/23 Member involvement included the Corporate Services Policy Advisory Committee and Cabinet. The initial MTFS included high level assumptions.

In 2022/23 the 2023/24 MTFS and budget was reviewed by the Corporate Services Policy Advisory Committee, then the Executive (since renamed 'Cabinet') followed by Full Council.

The annual budget setting process included the impact of expected investment and borrowing activity. The Council also undertook an annual "Residents' Budget Survey" which informed the budget.

Officers and Members are appropriately engaged in budget setting, with discussions and planning beginning as early as June of the year before. With the budget not being agreed until February of each year, this allowed sufficient time for discussions and changes, as necessary. However, we note that Scrutiny were not involved in the budget setting process.

Budget Monitoring

Detailed financial reports were prepared and provided to budget managers every month. Members received quarterly financial performance reports. In 2021/22 quarterly budget information was reviewed by the Policy and Resources Committee.

In 2022/23 quarterly financial performance information was reported to the Corporate Services Policy Advisory Committee (a non decision-making committee) prior to being reported to Cabinet. A range of different budget lines were monitored and reported to other Policy Advisory Committees, based on their area of focus.

The quarterly financial performance reports were detailed and included information on:

- revenue position – including explanation of significant variances
- capital budget position – overall position and by Policy Advisory Committee
- local tax collection – council tax and business rates
- reserves and balance – including movements
- treasury management – including the Council investments, borrowing and future capital commitment
- Maidstone Property Holdings – added in 2022/23 only brief headlines were given including that breakeven was expected for 2022/23.

Auditor judgement

We found the arrangements in place to both set and monitor the budget to be comprehensive. The revenue and capital year end position are also discussed on page 9 of this report.

Improvement recommendations



Governance

Recommendation 3

The Council should review the following frameworks and policies and update them in a timely manner:

- risk management framework, last reviewed and updated in 2019; and
- anti-fraud and corruption policy, last reviewed and updated in January 2020.

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Audit year

2021/22 and 2022/23

Why/Impact

It is good practice to review and update, as necessary key policies and framework on a regular basis, within one to three years.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

Summary findings

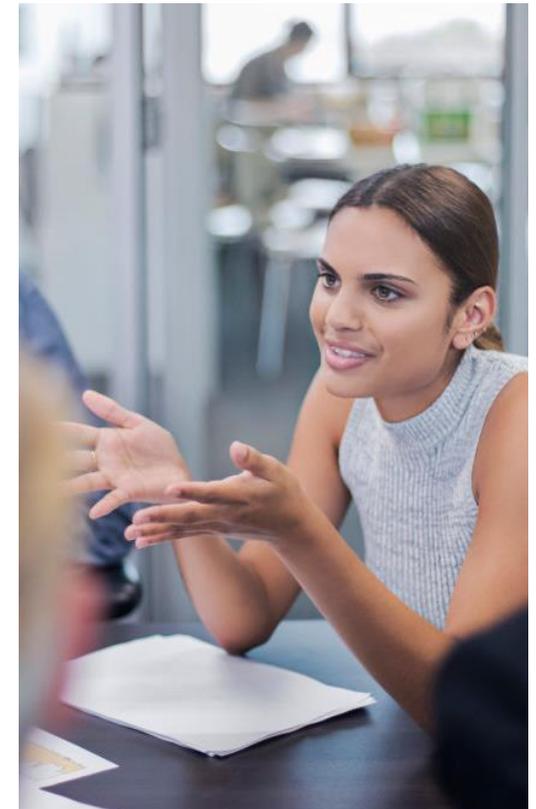
The Council has risk management framework that sets out how the Council identifies, manages, and monitors uncertainty and risk. The framework was reviewed, updated and approved by Policy and Resources Committee in April 2019.

The anti-fraud and corruption policy has not been reviewed or updated since January 2020.

Policies and frameworks should be reviewed and updated on a regular basis, either annually or on a cyclical rota.

Management comments

A new risk management framework was discussed and agreed with the Corporate Leadership Team in Summer 2023 and is now awaiting sign-by members. Internal audit are aware of the need to update the anti-fraud and corruption policy and this is planned for in 2024/25.



The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 4

The Council should consider how Mid Kent Audit could improve its performance and increase the proportion of audits completed in line with its plan. This consideration should include review of how the Council manages and ensures delivery of planned audits.

Audit year

2021/22 and 2022/23

Why/Impact

Internal Audit is a key service which undertakes reviews to both confirm and identify weaknesses in the internal control environment. This role is undermined if sufficient work is not undertaken.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

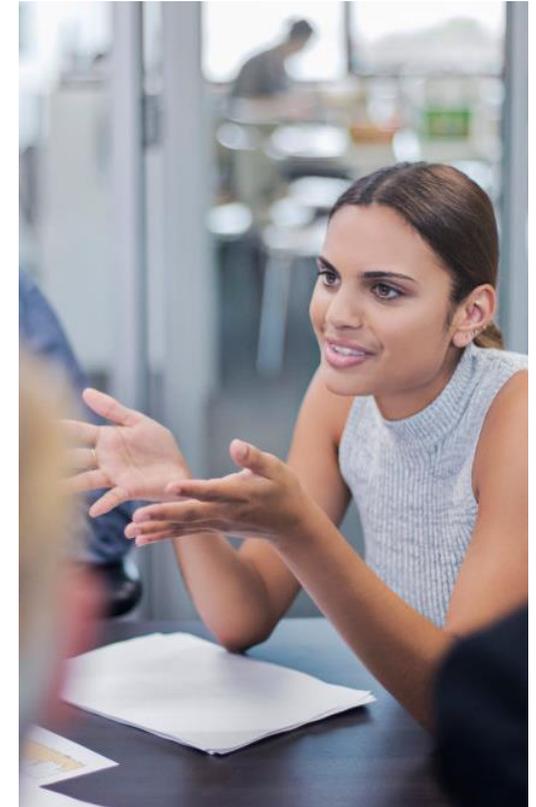
Summary findings

In both 2021/22 and 2022/23 the number of planned internal audits completed was below 65%.

| | Planned audits | Audits completed | % completed |
|---------|----------------|------------------|-------------|
| 2020/21 | 14 | 12 | 86% |
| 2021/22 | 18 | 11 | 61% |
| 2022/23 | 14 | 8 | 57% |

Management comments

audit plan. manager roles. The audit roles are also being recruited to, with one new appointment so far. The position is being reported to the Audit Governance and Standards Committee and they support the proposed approach.



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The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 5

The Council should circulate its declaration of interest form to all employees and ensure this is undertaken every three years in line with the Council's Constitution.

Audit year

2021/22 and 2022/23

Why/Impact

Employee declarations should be checked to pick up any changes.

Auditor judgement

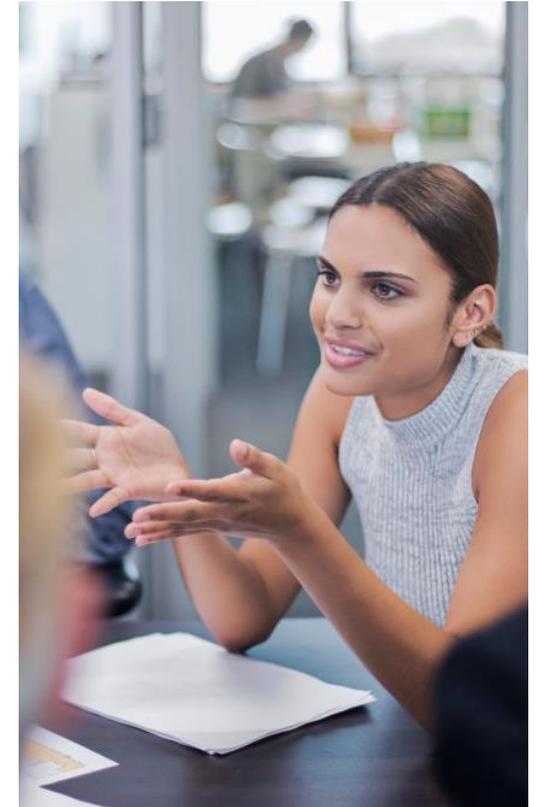
This is not a significant weakness in arrangements but an area for improvement.

Summary findings

Officers are required to register their interests upon appointment and should resubmit their declaration when the Council recirculates the requirement every three years, as set out in the Constitution. However, this request has not been recirculated since 2019.

Management comments

There is a process for employee declarations of interest to be reviewed every three years and this will be brought up to date.



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The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 6

The Council should consider its existing decision-making structure to ensure it is effective and provides value for money. The Council should take into account the following:

- the resources required to maintain this structure;
- the length of time it takes a decision to be made; and
- the role of scrutiny and whether a more effective approach might involve two scrutiny committees instead of the four Policy Advisory Committees.

Audit year

2022/23

Why/Impact

Review of the new governance structure would ensure that it is the most efficient structure to provide effective decision-making.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

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Summary findings

From May 2022 the Council changed its governance arrangements from a 'committee system' to the 'executive system'. However, this structure differs from the executive system we have observed at many councils and follows a more hybrid approach with the introduction of four Policy and Advisory Committees (PAC). An Overview and Scrutiny Committee was also introduced. All decisions taken by Cabinet (apart from pledges by the administration) will go through a PAC.

The existing governance structure enables wider member involvement which would ordinarily be undertaken within the scrutiny function and audit committee, but has a number of disadvantages, such as:

- increasing the amount of resources, both officer and Member, required to support and maintain this hybrid structure
- duplicating and lengthening the decision-making process as decisions pass through a related PAC before the decision is made by Cabinet or the Leader
- undermining the authority of the portfolio holder
- marginalising the role of overview and scrutiny and not enabling scrutiny to develop.

Management comments

A review of the current governance arrangements was launched in September 2023 by the Democracy and General Purposes Committee, which included specifically the size and type of overview and scrutiny arrangements within the existing model and arrangements for Policy Advisory Committees. The results of the review were reported back to the Committee in January 2024. A number of potential alternative models were presented and were considered by Council at its meeting on 21 February 2024. A slightly modified version of the existing arrangements will be introduced with effect from the start of the new municipal year 2024/25, reflecting comments of members and their experience with two years of operating the existing arrangements.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Governance

Recommendation 7 The Council should develop an overarching housing acquisition strategy which considers all property acquisitions, the full life cost, level of Council subsidy, outcomes and how progress will be assessed against these outcomes. Consideration should also be given to the skills and capacity required to manage:

- the Council's acquired housing stock in its various forms
- the Housing Revenue Account.

Audit year 2021/22 and 2022/23

Why/Impact Promote good governance and provide one document which set out the housing acquisitions plans and the impact on the Council.

Auditor judgement This is not a significant weakness in arrangements but an area for improvement.

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Summary findings The Council has made a number of decisions to improve the housing provision of its residents which includes:

- the building of 1,0000 affordable homes over a 10-year period
- to extend the availability of housing within the private rented sector by building 200 such homes over a five-year period
- the purchase and repair of properties to use as temporary accommodation.

The 1,000 affordable homes is the most significant project, but combining all of the above the Council is looking at purchasing 1,280 additional homes.

Annual updates on how the Council is progressing its objectives to meet residents housing needs have been provided to Members and information is provided within the MTFs and the Capital Strategy. However, this is a complex issue and to fully understand the impact a range of documents need to be understood. We consider that an overarching summary document which brings together all this information would be beneficial. This would promote good governance, openness and transparency. Such a document should consider all housing schemes, the full cost of borrowing (as discussed on page 11), how the housing stock should be held and managed and its impact on other priorities such as climate change.

Management comments

The Council's housing acquisition strategy is already set out as part of the Housing Strategy 2023-28, which is available on the Council's website. The strategy describes the borough's housing needs, and sets out a strategy that includes a range of different elements that address these, including the 1,000 Affordable Homes initiative, the proposed garden community at Heathlands, and purchase of our own temporary accommodation. The housing strategy is an overarching document and gives full details of the overall context and direction.

The recommendation refers to some specific aspects of the strategy, ie financing of purchases and management of housing stock. The first is dealt with as part of our Medium Term Financial Strategy and Capital Strategy, which address the issue of how to ensure that affordable housing can be delivered in a financial sustainable way. Management will ultimately be dealt with so far as the Council's social and affordable housing stock is concerned through the establishment of an HRA, and a report on the mechanism for doing this will go to members early in the new municipal year 2024/25.

Improvement recommendations



Governance

Recommendation 8

The Council should review the governance arrangements for Maidstone Property Holding (MPH) to ensure that financial performance is reported to and monitored by the Council and that the potential conflict of interest between officers who are also Board members is reviewed. Specifically, we recommend that the Council:

- approves an annual company business plan
- confirms which committee is acting as the shareholder
- improves the performance information included within the quarterly financial performance provided to Members, including performance against the agreed business plan
- review the potential conflict of interest created by the appointment of officers as company directors and ensure the risks are managed and mitigated.

Audit year

2021/22 and 2022/23

Why/Impact

MPH is a separate legal entity, the governance arrangement should ensure that the best interests of the Council are considered which the Director's pay due attention to the Company's Act 2006.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

Summary findings

MPH is a limited company wholly owned by the Council. The Board consists of four Directors who are all employees of the Council. Whilst it is possible for officers to be directors of locally authority companies, it is important that potential conflicts of interest are considered and managed.

The last business plan, articles of association and services agreement were agreed by the Policy and Resources Committee in July 2019. It was at this meeting that it was also agreed that this committee would act as the shareholder representative.

Limited performance information is provided to Members on MPH through the Council's quarterly financial performance reports.

Management comments

We support the recommendation. We have already made progress with new Directors being appointed to reduce the risk of conflicts of interest. There will be some additional training and guidance offered to all the directors in line with CIPFA best practice.

The monitoring of finances and performance does already happen, but we need to make it more transparent and ensure it fulfills the relevant roles with MPH and MBC. This will be progressed during 2024/25.

The range of recommendations that external auditors can make is explained in Appendix B.

Improving economy, efficiency and effectiveness



We considered how the Council:

- uses financial and performance information to assess performance to identify areas for improvement
- evaluates the services it provides to assess performance and identify areas for improvement
- ensures it delivers its role within significant partnerships and engages with stakeholders it has identified, in order to assess whether it is meeting its objectives
- where it commissions or procures services assesses whether it is realising the expected benefits.

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Service performance management

The Council has a Strategic Plan 2019-2045. It was adopted in December 2018 and the milestones within it have been refreshed in 2021, 2022 and 2023. The 2021 refresh also included a response to the pandemic and the Council's plan for recovery.

The Council has a guide to performance management, but this has not been updated since 2012, which was after the issue of the Strategic Plan.

Throughout 2021/22 service performance was reported to the Policy and Resources Committee and included within the Finance, Performance and Risk Monitoring Report.

In 2022/23 the revised areas of focus were presented to the Policy Advisory Committees (PAC) in January 2023. Monitoring arrangements remained the same as 2021/22 except following the change in the governance structure quarterly reports went to the Executive from June 2022 which was renamed the Cabinet from June 2023.

Performance monitoring reports were also provided to the service specific committee, which in 2022/23 were the new PACs.

The reporting included monitoring against key performance indicators (KPIs). These KPIs relate to the Strategic Plan but do not directly correlate to the objectives within the Strategic Plan.

The quarterly performance information included KPIs focused on three areas; Communities, the Council's financial position, and the 'way we work'.

The reports also include KPIs across the service committees which missed their target by more than 10%.

In both 2021/22 and 2022/23 the Council has not reported on delivery of its priorities, as set out in its Strategic Plan:

- Embracing growth and enabling infrastructure
- Safe, Clean and Green
- Thriving Place
- Home and Communities.

The KPIs within the quarterly monitoring reports may link to the Strategic Plan priorities, but this is not clear. For example, it does not include progress to date on delivering 1,000 affordable homes and maintaining the resilience and quality of the waste service.

Whilst we recognise that these priorities may be being monitored within the services or in other reports to Members, we consider that it would be beneficial to include monitoring of progress against the strategic priorities within the quarterly performance reports.

We have raised the following improvement recommendation (page 31): **The Council should monitor performance against its Strategic Plan within the quarterly performance reports as well as other elements of service performance. It should also update its guide to performance management.**

Improving economy, efficiency and effectiveness

Benchmarking

Benchmarking is a useful tool for comparing the Council's performance with other councils, although challenges such as access to quality and relevant data can arise. It helps identify best practice and areas requiring improvement.

We used our benchmarking tool, CFO Insights, to compare Council service unit costs. We identified one very high-cost area, central support services and two high-cost areas of:

- planning and development services, attributable to high costs in community development and development control
- housing services, non-HRA, attributable high costs in private sector accommodation leased by the Council, rent allowances (discretionary payments) and housing strategy.

The Council has not undertaken unit cost benchmarking in 2021/22 and 2022/23, but did include comparisons using the CIPFA financial resilience index within its budget setting reports. The information was used to assess its level of reserves in its 2022/23 and 2023/24 budget setting papers.

We are also aware that comparisons were made with the legal services to consider salary comparisons with other local councils.

In 2020/21, we recommended that the Council consider developing a programme of service reviews using such tools as benchmarking to identify best practice. This recommendation remains outstanding and further detail are included on page 36 of the report.

Partnerships

Throughout 2021/22 and 2022/23 the Council operated a range of partnerships through both contract and shared service arrangements.

Mid Kent Services

The Council continued to have a range of services delivered by Mid-Kent Services (MKS), a partnership between the Council, Swale Borough Council and Tunbridge Wells Borough Council, as illustrated in Figure 6 below:

Figure 6: Services within MKS

| Service | Host | Other Authorities |
|-------------------------|-----------------|------------------------------------|
| Environmental Health | Tunbridge Wells | Maidstone |
| Human Resources Payroll | Maidstone | Swale Swale & Dartford |
| ICT | Maidstone | Swale & Tunbridge Wells |
| Internal Audit | Maidstone | Ashford, Swale and Tunbridge Wells |
| Land charges | Maidstone | Swale & Tunbridge Wells |
| Legal | Swale | Maidstone & Tunbridge Wells |
| Parking enforcement | No host | Maidstone & Swale |
| Planning support | Maidstone | Swale |
| Revs & benefits | Maidstone | Tunbridge Wells |

As illustrated above MKS consists of a range of independent services which each have a Head of Service, with an overall Director of MKS. Management and culture within each service is varied.

The budget for each service was set by each individual Head of Service and forms the basis of the recharge payable by the other authorities to the host authority.

Improving economy, efficiency and effectiveness

The governance arrangements for MKS included:

- MKS Management Board – includes two Members (Leader plus one other) and the chief executive from each of the councils and met three times each year. The aim is to define the objectives/strategic priorities and agree the financial envelope. This Board does not have decision making powers and decisions should be referred back to the individual councils' decision-making bodies.
- Executive Board – includes each council's chief executive, meets quarterly. Responsibilities include matters delegated to it from the MKS Board and referred to it from the Shared Services Board. It is also required to approve budgetary spend.

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Shared Service Board – includes each council's Section 151 officer and the Director of MKS, meets quarterly. Responsibilities include agreement of the annual budget, review performance of each shared service.

Service and financial performance were monitored within the arrangements set out above.

The Council along with the other MKS members have committed significant resources to the governance of the MKS. This approach includes significant commitment from both Members and senior officers, which in our experience is more intensive than we have seen in other authorities.

MKS have an agreement in place for the governance arrangements, between the Council, Swale Borough Council and Tunbridge Wells Borough Council, however this document is not signed so it unclear when this agreement is due for renewal. This agreement also includes the funding allocations between member authorities.

However, MKS does not have an overarching strategy and an annual report has not been prepared on the service. A MKS Strategy would need to be agreed with all partners but would provide a basis to set the strategic context; the objectives for the service, what the authorities want to achieve through MKS and what the MKS plans to do to achieve these objectives. A detailed delivery plan should support the strategy and could be included within a business plan and reported annually through an annual report.

Shared services, especially one that includes a disparate and varied range of services can be difficult to establish a consistency of service but also of culture and values, an overarching strategy and business plan should facilitate this.

In addition, unit cost benchmarking or benchmarking of service performance has not been carried out, which would enable the member authorities to assess if MKS continue to provide value for money.

Whilst the arrangements in place were appropriate in 2021/22 and 2022/23 to manage service delivery and costs, we consider that further improvements could be made to ensure MKS delivers value for money to its member authorities. We have raised the following improvement recommendation (page 32):

The Council should in conjunction with its partners, review the governance arrangements for the MKS to ensure it remains fit for purpose and consider the following:

- **setting an overarching strategy that would include the objectives and priorities**
- **introduce an annual business plan which would support and include the delivery plan/actions required to achieve the strategy**
- **introduce benchmarking on costs and performance to ensure a shared service remains value for money, but also to identify areas for improvement.**

Mid Kent Waste Services

Another partnership we have considered as part of our work is the Mid Kent Waste Contract. Throughout 2021/22 and 2022/23 oversight of this partnership was carried out by a Partnership Board which consists of each member authority (Ashford, Maidstone and Swale Borough Councils), Biffa Municipal Ltd and Kent County Council (as the disposal authority).

An inter-authority agreement and joint working agreement were in place and set out the principles of partnership working. The Board is chaired by the supervising officer and this was an officer from Swale Borough Council in 2021/22 and an officer from the Council in 2022/23. The Board met quarterly and were responsible for resolving any disputes.

Below the Partnership Board is the Strategic Operations Group, this Group also met quarterly, ahead of the Board to enable issues to be escalated if necessary. This Group is more focused on operational issues, such as missed collections and rectification and default notices.

Improving economy, efficiency and effectiveness

Membership of the Strategic Operations Group included the Service Managers for each member authority, Kent County Council's Liaison Manager and Biffa's Senior Business Manager.

As the service is delivered through a formal contract, contract monitoring meetings were also held between the contract monitoring officers for each member authority.

Contract meetings were also held by each individual member authority, between the Council's monitoring and management officer and Biffa's local management team. These meetings provided an opportunity to discuss performance at a local level and are weekly meetings at the Council.

During 2021/22 the Council had one contract monitoring officer focused on monitoring this contract, in 2022/23 arrangements were strengthened following a restructure and the Council now has two contract monitoring officers focused on this contract.

Performance on the Waste Service has been reported to elected Members in 2021/22 to the Communities, Housing and Environment Committee and from May 2022 the Policy Advisory Committee. Performance information was also provided to the Head of Service, Directors and Chief Executive on a quarterly basis.

The Council has entered into a number of partnership arrangements to enable it to reduce costs and improve services, we are satisfied that the Council has proper arrangements in place to deliver its agreed partnership role.

Procurement and contract management

The Council's procurement service is provided through a shared service with Tunbridge Wells Borough Council. Contract Procedure Rules (PCR) are in place and set out within the Council's Constitution. However, the service does not have a procurement strategy. A procurement strategy should cover the joint service, all aspects of procurement and what the member authorities hope to achieve through the joint procurement service. This was raised as a recommendation in our previous report and remains outstanding. In addition, no procurement training has been available to officers since the procurement team was established in August 2020.

We have raised the following improvement recommendation (page 33): **The Council should work together with Tunbridge Wells Borough Council to provide a joint procurement strategy and provide procurement training those officer involved in procuring goods and services.**

The procurement service was reviewed by Internal Audit in 2021/22 and received a 'sound' opinion on the design and operation of the controls, the second highest opinion of the four available.

The Council had an authorisation process in place for the waiver of the CPRs (direct award of contracts) over £10,000. Authority was required by the Director of Finance and Business Improvement Officer. The procurement team were sighted on those waivers which were authorised, but a reporting and monitoring system was not in place.

To ensure the Council is aware of the extent of contract waivers the number and value by service area should be recorded and reviewed. This information should be presented to Members on a regular basis to ensure appropriate oversight and challenge. We have raised an improvement recommendation (page 34): **The Council should record and evaluate the number of contract waivers throughout the year and this information should be reported to Members, such as the Audit, Governance and Standards Committee on a quarterly basis.**

Contract management is undertaken by officers within the service areas. Our review of the Mid Kent Waste Partnership as discussed on the previous page provides an example of where the Council has strengthened its contract management arrangements. We have not identified issues relating to contract management.

Auditor judgement

Our work has not identified any significant weaknesses in arrangements to improve economy, efficiency and effectiveness. The Council had arrangements in place to manage its performance, administer its contracts appropriately and work effectively with partners.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 9

The Council should monitor performance against its Strategic Plan within the quarterly performance reports as well as other elements of service performance. It should also update its guide to performance management.

Audit year

2021/22 and 2022/23

Why/Impact

These improvements should ensure that the Council clearly demonstrates progress against its strategic priorities and is able to identify where improvements are required.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

Summary findings

The Council has a Strategic Plan 2019-2045. Throughout 2021/22 service performance was reported to the Policy and Resources Committee and included within the Finance, Performance and Risk Monitoring Report.

In 2022/23 monitoring arrangements remained the same, except following the change in the governance structure quarterly reports went to the Executive from June 2022 which was renamed the Cabinet from June 2023. Performance monitoring reports are also provided to the service specific committees, which in 2022/23 were the new Policy and Advisory Committees.

In 2021/22 and 2022/23 the Council has not directly reported performance against the strategic priorities as set out in its Strategic Plan.

The Council has a guide to performance management, but this has not been updated since 2012, which was after the issue of the Strategic plan.

Management comments

The Strategic Plan informs the Council's performance indicators, which (as noted by Grant Thornton) are reviewed annually and are the subject of regular quarterly reports. This allows performance against the Strategic Plan to be monitored. The performance indicators are complemented by a series of dashboards, which have been developed over the past two years and provide information that management uses to monitor performance on a regular basis service-by-service. A higher level review of performance is provided by an annual report every July to the Corporate Services PAC and Cabinet, which considers performance and assesses whether the Plan requires updating.

We acknowledge that the Performance Management guide should be updated. However, the wide publicity given to Performance Indicators and Dashboards means that there is a good understanding of performance management and a strong performance management culture around the organisation.

The range of recommendations that external auditors can make is explained in Appendix B.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 10

The Council should, in conjunction with its partners, review the governance arrangements for the Mid Kent Services (MKS) to ensure it remains fit for purpose and consider the following:

- Setting an overarching strategy that would include the objectives and priorities
- Introduce an annual business plan which would support and include the delivery plan/actions required to achieve the strategy
- Introduce benchmarking on costs and performance to ensure a shared service remains value for money, but also to identify areas for improvement.

Audit year

2021/22 and 2022/23

Why/Impact

These improvements should ensure that the MKS remains fit for purpose and delivers its agreed priorities.

Auditor judgement

This is not a significant weakness in arrangements but an area for improvement.

Summary findings

The governance arrangements for MKS included; the MKS Management Board, Executive Board and Shared Service Board. These Boards included a range of authority elected Members, and senior officers and met regularly to monitor performance.

MKS provides a range of disparate services with varied cultures and values. The introduction of an overarching strategy and business plan should facilitate a common approach, but would provide a basis to set the strategic context; the objectives for the service, what the authorities want to achieve through MKS and what the MKS is doing to achieve these objectives.

Benchmarking within the service has been limited.

Management comments

As noted by Grant Thornton, MKS delivers a range of different services. As a result, business strategies have tended to be developed on a service-by-service basis. Most recently, a business plan has been developed for the Mid Kent Revenues and Benefits Service, as it is due to expand to cover three authorities (rather than two) with effect from 1 April 2024.

Consistency of governance across all the services is assured by the arrangements that have been referenced. In particular, the Shared Services Board takes responsibility for reviewing the MKS budgets on an annual basis. The Director of Mid Kent Services ensures that a strong collective approach to the day-to-day management of the partnership, through regular interaction with the service heads and management team meetings.

Benchmarking likewise tends to be carried out on a service-by-service basis, given that the metrics vary so much between teams. Taking revenues and benefits as an example again, Council Tax and Business Rates collection performance is compared regularly against that of our peers.

Improvement recommendations



Improving economy, efficiency and effectiveness

Recommendation 11 The Council should work together with Tunbridge Wells Borough Council to provide a joint procurement strategy and provide procurement training those officer involved in procuring goods and services.

Audit year 2021/22 and 2022/23

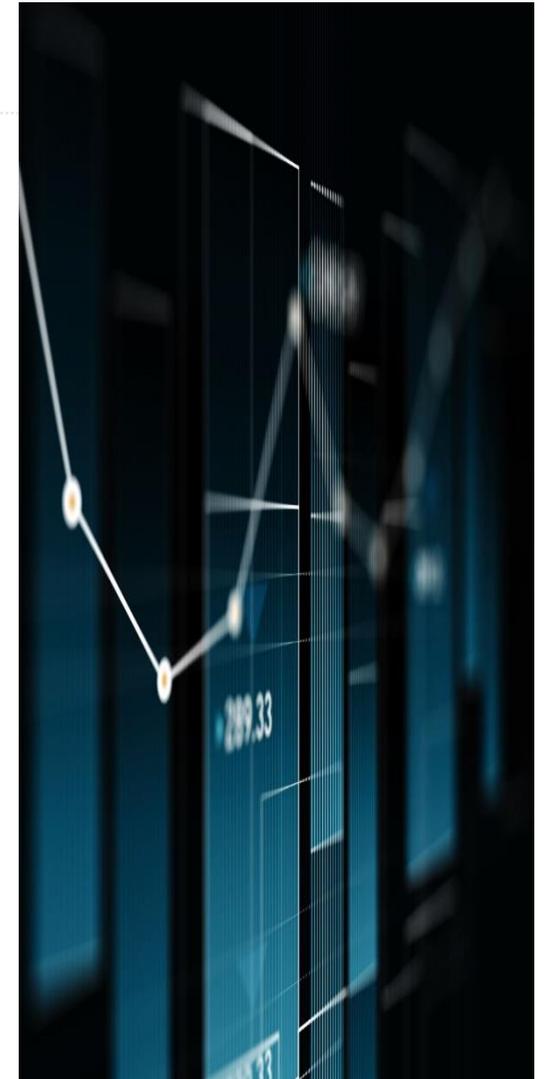
Why/Impact A joint strategy should ensure that aims and objectives of the service are agreed and understood by both parties

Auditor judgement This is not a significant weakness in arrangements but an area for improvement.

371 Summary findings The Council's procurement service is provided through a shared service with Tunbridge Wells Borough Council. Contract Procedure Rules (PCR) are in place and set out within the Council's Constitution. However, the service does not have a procurement strategy. A procurement strategy should cover the joint service, all aspects of procurement and what the member authorities hope to achieve through the joint procurement service. No procurement training has been available to officers since the procurement team was established in August 2020.

Management comments Procurement has an operational strategy to ensure that it is resourced and skilled to meet the demands of the service and meet new legislation requirements. This can be formalised as a Procurement Strategy.

Training and support are given when people engage with the function. There is also core material on the intranet for staff. Contract management is not currently part of the function, but this is something we are looking to expand as part of the procurement remit to allow contract management oversight/support and training.



The range of recommendations that external auditors can make is explained in Appendix B.

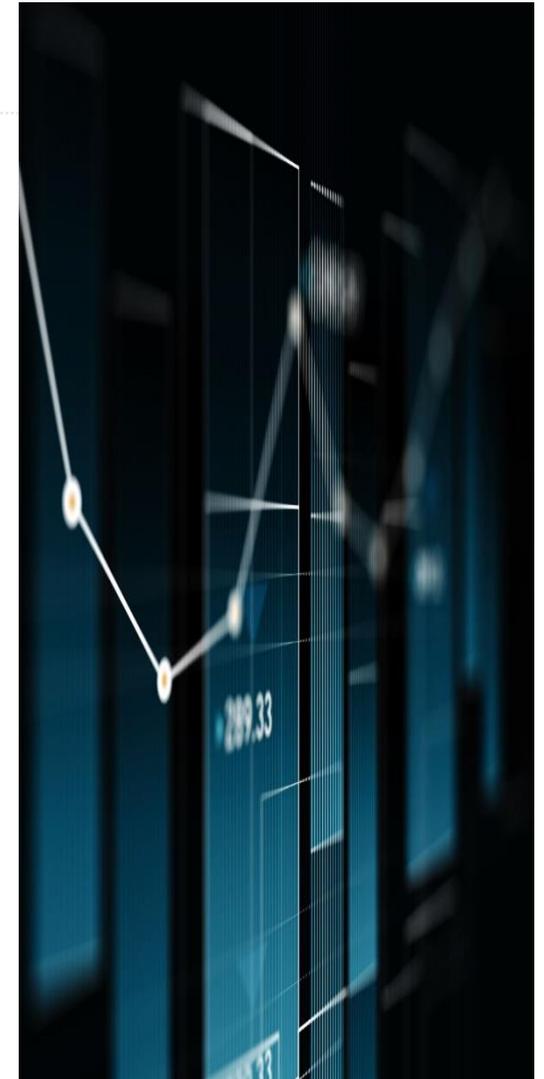
Improvement recommendations



Improving economy, efficiency and effectiveness

| | |
|----------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Recommendation 12 | The Council should record and evaluate the number of contract waivers throughout the year and this information should be reported to Members, such as the Audit, Governance and Standards Committee on a quarterly basis. |
| Audit year | 2021/22 and 2022/23 |
| Why/Impact | Contract waivers should be centrally monitored and evaluated to ensure all awards are legitimate and to identify areas which require improvement. |
| Auditor judgement | This is not a significant weakness in arrangements but an area for improvement. |
| Summary findings | The Council had an authorisation process in place for contract waivers of over £10,000. Authority was required by the Director of Finance and Business Improvement Officer. The procurement team were sighted on those waivers which were authorised, but a reporting and monitoring system was not in place. To ensure the Council is aware of the extent of contract waivers the number and value by service area should be recorded and reviewed by officers and Members. |
| Management comments | This recommendation is agreed and reports will be submitted regularly to members. |

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The range of recommendations that external auditors can make is explained in Appendix B.

Follow-up of previous recommendations

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| Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1 Consideration should be given to making a clear distinction between statutory and discretionary spending in the budgetary information provided to Members and published on the web. | Improvement recommendation | November 2022 | Members are made aware of the impact to statutory and discretionary services as part of the budget setting process, therefore the Council did not fully support this recommendation. The budget clearly links to corporate priorities, which is more informative. Therefore, the recommendation is closed. | No | No further action |
| 2 A workforce plan or people strategy aligned to the corporate plan and MTFS should be prepared, formally approved and circulated to appropriate officers. | Improvement recommendation | November 2022 | The Workforce Strategy is reviewed annually and by the Democracy and General Purposes Committee on 26 January 2022. Since then, the "Employment Committee" has been formed and the 1 February 2024 meeting considered the "Workforce Strategy 2024-2029" report. | Yes | No further action |
| 3 While we feel that risk management arrangements are generally satisfactory, to further enhance the risk management approach the Council should consider: <ul style="list-style-type: none"> Reporting current and mitigated risk score to Audit, Governance and Standards committee Reporting risk to the Audit, Governance and Standards Committee every six months Factors such as target risk score, the risk owner, direction of travel, sources of risk and assurance and dates of last and next review should be reported to Members Developing a comprehensive risk management training programme for Members and staff. | Improvement recommendation | November 2022 | <p>The Corporate risk register is not reported to the Audit, Governance and Standards Committee, but is reported to the Cabinet on a quarterly basis. This process provides member oversight and management of the strategic risks.</p> <p>The risk owner is included on the corporate risk register, but not the target risk score or the direction of travel.</p> <p>Training during the year was delivered by Mid Kent Audit and included: <ul style="list-style-type: none"> 84 sessions on the Council's new risk management software; and several sessions to managers and risk owners on the risk management processes, general training and risk principles. </p> | Partially | Management response: Risk management reporting remains under review and further enhancements will be considered. In particular, more work is planned on horizon scanning in 2024/25. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|-----|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------|---------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| | 5 Codes of conduct and the Whistleblowing Policy should be updated as soon as possible and annual thereafter. | Improvement recommendation | November 2022 | The Members' code of conduct was updated and agreed by the Council in February 2024. The Whistleblowing Policy has not been updated since 2016. | Partial | Management response: The Whistleblowing policy is due to be updated in 2024/25. |
| 374 | 6 Consideration should be given to developing a programme of service reviews using such tools as benchmarking to identify best practice. Firstly, it could compare its performance reporting (in terms of number and types of KPIs against other Kent Districts) to determine whether others are capturing and reporting useful information the Council is not. Secondly, the Council could actually compare the performance of existing KIs against other Councils (starting in Kent initially to determine whether the exercise is useful). | Improvement recommendation | November 2022 | Outstanding. The benchmarking undertaken has been limited to comparisons using the CIPFA financial resilience index within its budget setting reports in 2021/22 and 2022/23 and comparisons within the legal services to consider salaries with other local councils. | No | Management response: It is planned to address this as part of the Council's preparation of a Productivity Plan, as required by DLUHC. This work will incorporate benchmarking and other approaches to improving productivity and efficiency. |
| | 7 The Data Quality Policy should be updated as soon as possible and annually thereafter. This strategy should set out how the Council is delivering transparency in a way which is safe, accurate and secure, and which complies with the relevant transparency regulations as well as the General Data Protection Regulations and the Data Protection Act 2018. The strategy should define how good quality data is being collected and handled to inform evidence-based decision making. | Improvement recommendation | November 2022 | Outstanding. Data Quality policy has not been updated since 2011. | No | Management response: The data quality policy has been updated and the new policy is due to be signed off in April 2024 by the Corporate Leadership Team. |

Follow-up of previous recommendations

| | Recommendation | Type of recommendation | Date raised | Progress to date | Addressed? | Further action? |
|-----|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|--------------------|----------------------------------------------------------------|-------------------|----------------------------------------------------------|
| 375 | <p>8 We recommend a Procurement Strategy is developed and in addition to explaining the Council's approach to procurement it should include the following:</p> <p>SMART (specific, measurable, achievable, realistic and timely) objectives are clearly set out in the strategy to allow the Council to assess whether the Strategy is delivering as intended.</p> <p>A framework for how the delivery of the strategy will be achieved. An annual or biennial review against the SMART objectives reported to the Resources and Strategy Committee would allow the Council to assess how successful the strategy is in delivering the objectives.</p> | Improvement recommendation | November 2022 | A procurement strategy for the Council has not been developed. | No | Refer to 2022/23 improvement recommendation 11, page 33. |

Opinion on the financial statements for 2021/22



Grant Thornton provides an independent opinion on whether the financial statements:

- give a true and fair view of the financial position as at 31 March 2022 and of income and expenditure for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2021-22; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- International Standards on Auditing (UK);
- 376 the Code of Audit Practice (2020), published by the National Audit Office; and
96 applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

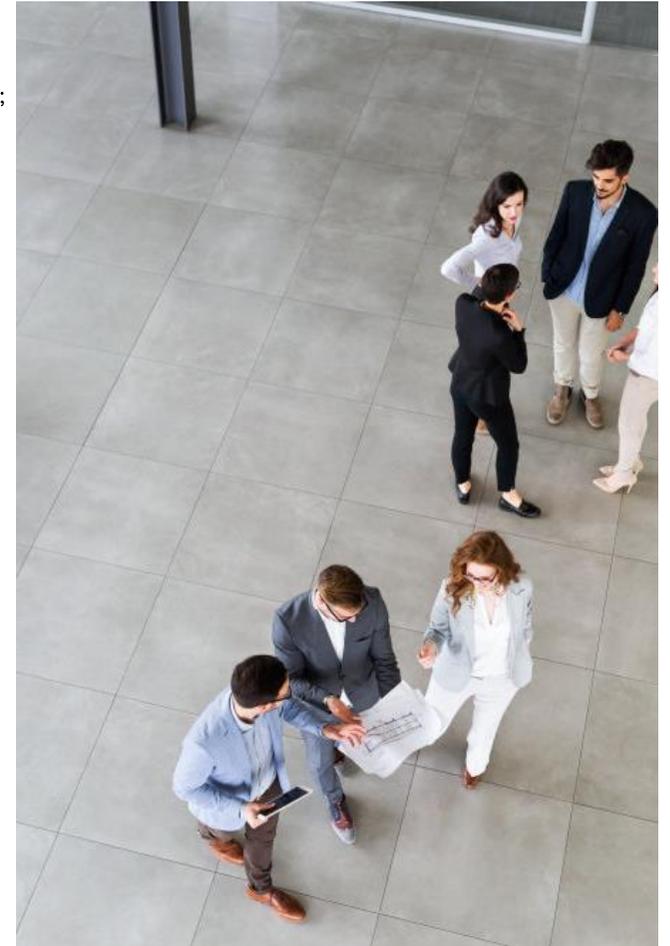
Audit opinion on the financial statements

We gave an unqualified opinion on the Council's financial statements on 17 November 2023.

Detailed findings are set out in our 2021/22 Audit Findings Report, which was presented to Audit, Governance & Standards Committee on 13 November 2023.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. The Council is below the NAO threshold for 2021/22 and so detailed procedures are not required.



Opinion on the financial statements for 2022/23



Grant Thornton provides an independent opinion on whether the financial statements:

- give a true and fair view of the financial position as at 31 March 2023 and of income and expenditure for the year then ended;
- have been properly prepared in accordance with the CIPFA/LASAAC Code of practice on Local Authority Accounting in the United Kingdom 2022-23; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

We conducted our audit in accordance with:

- 3.77.
- International Standards on Auditing (UK);
 - the Code of Audit Practice (2020), published by the National Audit Office; and
 - applicable law.

We are independent of the Council in accordance with applicable ethical requirements, including the Financial Reporting Council's Ethical Standard.

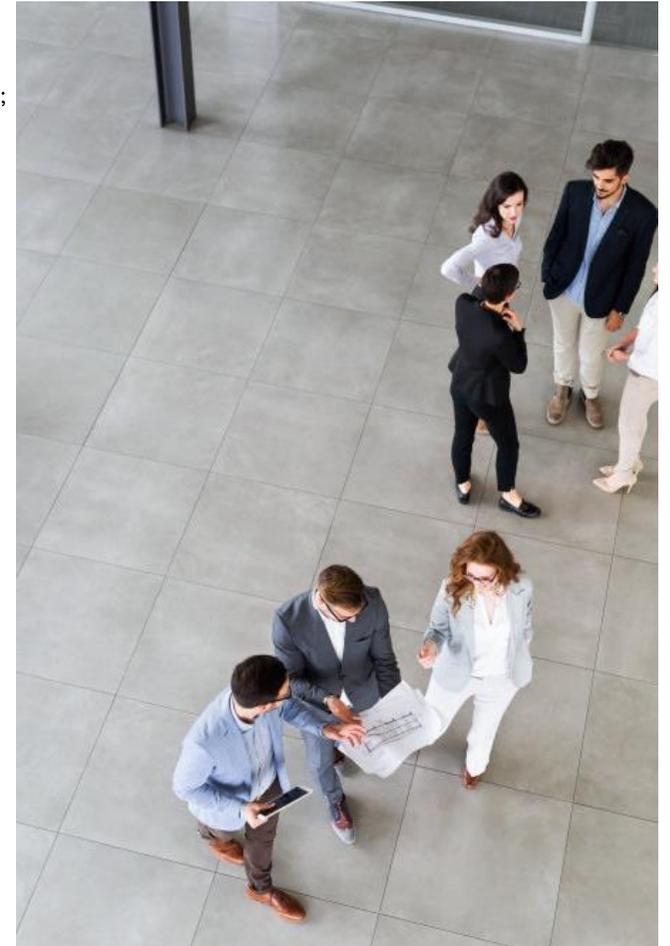
Audit opinion on the financial statements

We anticipate issuing an unqualified opinion on the Council's financial statements in April 2024.

Detailed findings will be set out in our 2022/23 Audit Findings Report, to be presented to Audit, Governance & Standards Committee on 11 April 2024.

Whole of Government Accounts

To support the audit of the Whole of Government Accounts (WGA), we are required to review and report on the WGA return prepared by the Council. The Council is below the NAO threshold for 2021/22 and so detailed procedures are not required.



Appendices

Appendix A – Responsibilities of the Council

Public bodies spending taxpayers' money are accountable for their stewardship of the resources entrusted to them. They should account properly for their use of resources and manage themselves well so that the public can be confident.

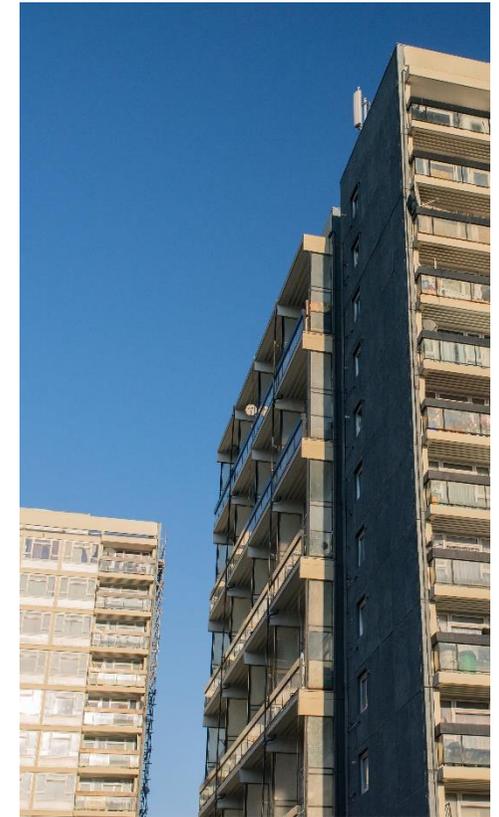
Financial statements are the main way in which local public bodies account for how they use their resources. Local public bodies are required to prepare and publish financial statements setting out their financial performance for the year. To do this, bodies need to maintain proper accounting records and ensure they have effective systems of internal control.

All local public bodies are responsible for putting in place proper arrangements to secure economy, efficiency and effectiveness from their resources. This includes taking properly informed decisions and managing key operational and financial risks so that they can deliver their objectives and safeguard public money. Local public bodies report on their arrangements, and the effectiveness with which the arrangements are operating, as part of their annual governance statement

The Chief Financial Officer (or equivalent) is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Chief Financial Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Chief Financial Officer is required to prepare the financial statements in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom. In preparing the financial statements, the Chief Financial Officer is responsible for assessing the Council's ability to continue as a going concern and use the going concern basis of accounting unless there is an intention by government that the services provided by the Council will no longer be provided.

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



Appendix B – An explanatory note on recommendations

A range of different recommendations can be raised by the Council’s auditors as follows:

| Type of recommendation | Background | Raised within this report | Page reference |
|------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|----------------------------------|
| Statutory | Written recommendations to the Council under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. | No | N/A |
| Key | The NAO Code of Audit Practice requires that where auditors identify significant weaknesses as part of their arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the Council. We have defined these recommendations as ‘key recommendations’. | No | N/A |
| Improvement | These recommendations, if implemented should improve the arrangements in place at the Council, but are not a result of identifying significant weaknesses in the Council’s arrangements. | Yes | Pages 12, 13, 21 to 26, 31 to 34 |

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Agenda Item 17

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

11 April 2024

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

Demand for temporary accommodation has created a significant budget pressure in 2023/24. Although purchase of property by the Council for temporary accommodation through the capital programme will bring down spending, there is a risk of continued overspends in 2024/25.

The Council has set a balanced budget for 2024/25, but there will be a challenge in delivering savings to offset the budget gap projected for subsequent years.

There are a number of risks associated with the delivering the capital programme. In particular, providing the subsidy necessary to deliver affordable housing depends on the Council continuing to receive central government support.

This report makes the following recommendations to this Committee:

That the Audit Governance and Standards Committee notes the risk assessment of the Budget Strategy provided at Appendix A.

Timetable

| Meeting | Date |
|-------------------------------------------|---------------|
| Audit, Governance and Standards Committee | 11 April 2024 |

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 | Director of Finance, Resources and |

| | | |
|----------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------|
| | the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget. | Business Improvement |
| Information Governance | No implications. | Director of Finance, Resources and Business Improvement |
| Equalities | The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities. | Director of Finance, Resources and Business Improvement |
| 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. | Director of Finance, Resources and Business Improvement |

2. INTRODUCTION AND BACKGROUND

- 2.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Members have requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

Current position

- 2.2 The Council produced a balanced budget for both revenue and capital income and expenditure for 2023/24. With final results for the year expected shortly, it is anticipated that there will be a small overspend. Projections prepared at the end of quarter 3 indicated an overspend of £239,000. This was the net effect of an overspend of £990,000 on temporary accommodation, offset by a number of underspends, including a reduced level of borrowing costs owing to slippage in the capital programme and a higher level of interest income from holding cash. Although numbers in temporary accommodation have stabilised, there was an increase in the overspend in quarter 3 owing to provisions made against irrecoverable rent.
- 2.3 The continued high cost of temporary accommodation has been reflected by building an additional £450,000 into the budget for 2024/25. This would not cover the current level of expenditure, given projected overspends in 2023/24. However, it is expected that spending will reduce as the council brings homes it has purchased for temporary accommodation into use.
- 2.4 There is nevertheless a risk that numbers in temporary accommodation could increase, which would lead to an overspend in 2024/25. This is captured within the budget risk register heading 'Failure to contain expenditure within agreed budgets'.

Future position – 2024/25 and subsequent years

- 2.5 A Medium Term Financial Strategy was agreed by Council in February 2024. This set out the likely position for the 5-year planning period. The Strategy document explained that the external environment is challenging, with the UK economy facing low growth prospects and continued high inflation. This limits the scope for any increase in public expenditure, which in turn will affect the Council, because it gives the government little scope to flex the funding framework for local government to alleviate financial pressures caused by expenditure growth. Any assistance is likely to benefit upper tier or single tier authorities, not lower tier authorities like Maidstone.
- 2.6 Financial projections, based on a realistic scenario of continued high inflation and limited funding flexibility, were included in the MTFs and showed a budget gap of £925,000 for 2024/25 and significantly higher figures in subsequent years. These projections assumed that Council Tax income is increased by the maximum possible given the referendum limit, and fees and charges are increased in line with inflation. In all cases, the budget gap would be greater if these measures were not taken.

- 2.7 The budget risk register includes the risks 'Inflation rate is higher than 2% government target' and 'Constraints on council tax increases', which reflect the fact that the referendum limit for 2024/25 of 3% was lower than the rate of inflation. Inflation is now falling, which makes it appropriate to downgrade these risks.
- 2.8 Savings measures to close the gap were included in the budget agreed by Council at its budget setting meeting on 21st February 2024. The Council therefore has a balanced budget for 2024/25, but there remains a gap in subsequent years which needs to be addressed over the coming year. This will require savings to be identified, but there is a risk to the deliverability of any such savings, hence the risk 'planned savings are not delivered'.

Capital Programme

- 2.9 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 £9 million today to around £300 million in 2028/29, with the revenue cost of capital increasing accordingly.
- 2.10 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.
- 2.11 Currently the Council has locked in £80 million of its future borrowing requirement at the relatively low rate of 2.89%. Capital expenditure will need to be carefully monitored to ensure that expenditure above and beyond the amount to be funded from this initial £80 million meets the prudential affordability requirement. This in turn depends on the future availability and cost of finance. Whilst interest rates are projected to reduce compared to their current rates, the speed of the reduction is uncertain.
- 2.12 This risk has been captured in the risk register under the heading 'Capital Programme cannot be funded'. Given the broader risks around the capital programme, it is proposed to change this wording to 'Capital Programme cannot be delivered given available budgets and funding'.
- 2.13 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.
- 2.14 Maidstone Council will benefit in 2024/25 from unallocated central government grants in the form of New Homes Bonus (£1.5 million) and Funding Guarantee (£3.6 million). Maidstone is using this additional funding to provide the necessary subsidy inherent in the 1,000 Affordable

Homes programme. If this level of funding is not sustained in the future, the Council’s ambitions to deliver affordable housing may have to be modified.

2.15 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 |
|-----|----------------------------------------------------|-----------------------------------------------------------------|---------------------------------------------------------------|
| G | Inflation rate is higher than 2% government target | Inflation is falling and is projected to reduce to less than 2% | Impact – major (no change) Likelihood – possible (reduced) |
| I | Constraints on council tax increases | Inflation is falling and is projected to reduce to less than 2% | Impact – major (no change) Likelihood – possible (reduced) |

1.1 Details are set out in Appendix A, which lists 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.

1.2 Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.

2. AVAILABLE OPTIONS

2.1 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.

2.2 Option 2 - The Committee notes the risk assessment set out in this report and makes no further recommendations.

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 Option 2 – It is recommended that the Committee notes the risk assessment.
-

4. RISK

- 4.1 Risk is addressed throughout this report, so no further commentary is required here.
-

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 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 has been carried out for the 2024/25 budget and the results have been reported to Members as part of the budget setting process.
-

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.
-

7. REPORT APPENDICES

The following document is to be published with this report and forms part of the report:

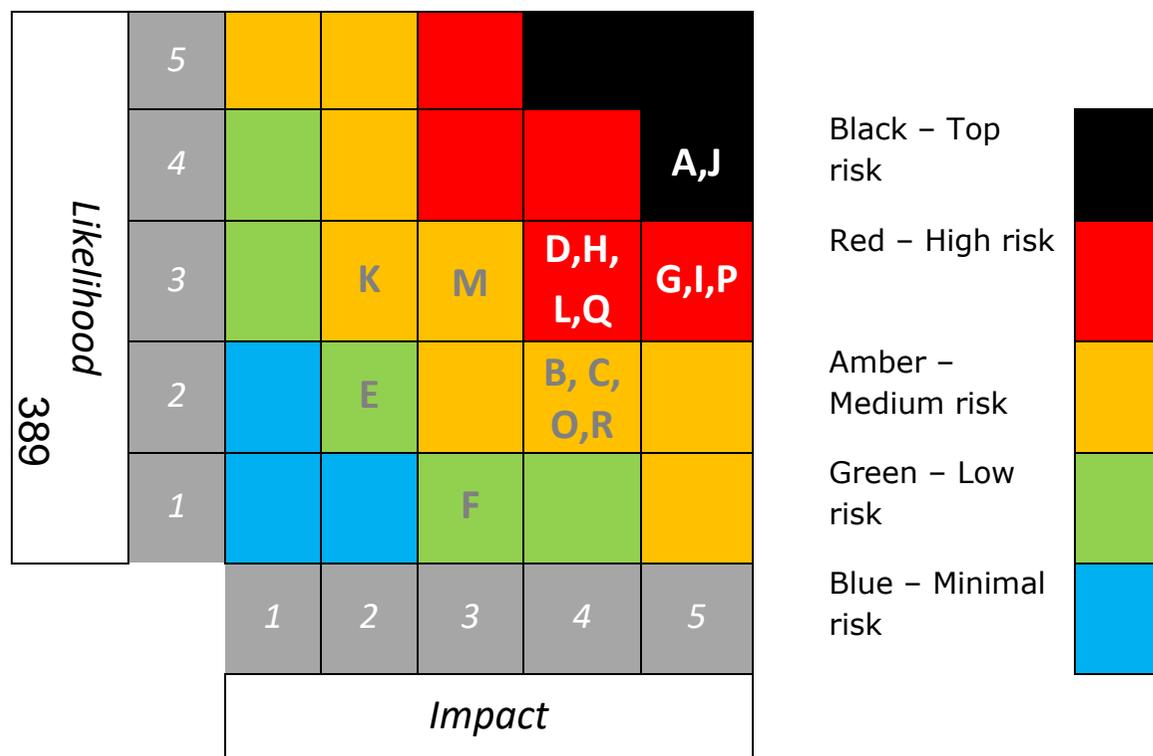
- Appendix A: Budget Strategy Risks
-

8. 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.

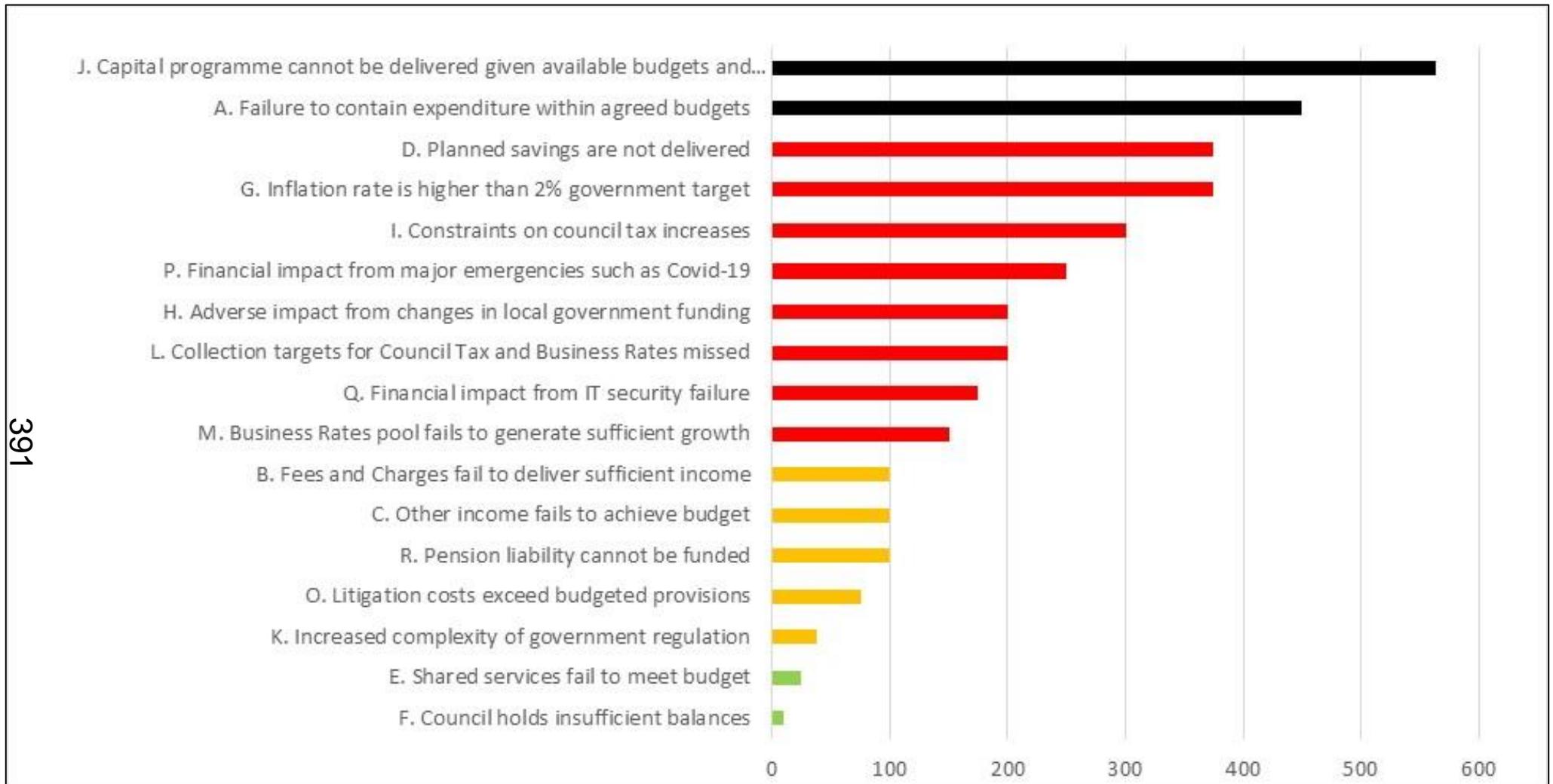


| | |
|----------------------------------------------------------------|-------------------------------------------------------------------------------------|
| A. Failure to contain expenditure within agreed budgets | J. Capital programme cannot be delivered given available budgets and funding |
| B. 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 gov't 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 |
| J. Capital programme cannot be delivered given available budgets and funding | 1 | 500 | 1,000 | 750 | 75 | 563 |
| A. Failure to contain expenditure within agreed budgets | 2= | 200 | 1,000 | 600 | 75 | 450 |
| D. Planned savings are not delivered | 2= | 250 | 750 | 500 | 75 | 375 |
| G. Inflation rate is higher than 2% government target | 2= | 500 | 1,000 | 750 | 50 | 375 |
| I. Constraints on council tax increases | 5 | 400 | 800 | 600 | 50 | 300 |
| P. Financial impact from major emergencies such as COVID-19 | 6 | 250 | 750 | 500 | 50 | 250 |
| H. Adverse impact from changes in local government funding | 7= | 100 | 900 | 400 | 50 | 200 |
| L. Collection targets for Council Tax and Business Rates missed | 7= | 200 | 600 | 400 | 50 | 200 |
| Q. Financial impact from IT security failure | 9 | 100 | 600 | 350 | 50 | 175 |
| M. Business Rates pool fails to generate sufficient growth | 10 | 150 | 450 | 300 | 50 | 150 |
| 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 |
| 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 | 4 | 20 |
| 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 |
| 393 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 | 3 | 15 |

| 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 2028/29 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 |
| 394 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 2024/25 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 | 3 | 15 |
| 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 |
| 395 _L | <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 | 3 | 9 |
| 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 |
| 396 _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 |

By virtue of paragraph(s) 1 of Part 1 of Schedule 12A
of the Local Government Act 1972.

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Agenda Item 19

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