

AGENDA

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING



Date: Monday 21 September 2015

Time: 6.30 p.m.

Venue: Town Hall, High Street,
Maidstone

Membership:

Councillors Butcher (Parish Representative),
Butler, Clark, Daley, Mrs Gooch,
McLoughlin (Chairman), Perry,
Mrs Riden (Parish Representative),
Ross and Vizzard

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1. Apologies for Absence
2. Notification of Substitute Members
3. Notification of Visiting Members
4. Disclosures by Members and Officers

Continued Over/:

Issued on 11 September 2015

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**Alison Broom, Chief Executive, Maidstone Borough Council,
Maidstone House, King Street, Maidstone, Kent ME15 6JQ**

5. Disclosures of Lobbying
6. To consider whether any items should be taken in private because of the possible disclosure of exempt information
7. Minutes of the meeting held on 20 July 2015 1 - 10
8. Report of the Head of Audit Partnership - Audit, Governance & Standards Committee Member Briefings 11 - 18
9. Report of the Head of Finance and Resources - External Auditor's Audit Findings Report 2014/15 19 - 160

MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON 20 JULY 2015

Present: Councillor McLoughlin (Chairman) and
Councillors Butler, Daley, Mrs Gooch, Perry,
Mrs Riden (Parish Council representative),
Ross and Vizzard

Also Present: Councillor Sargeant

Elizabeth Olive and Rachel Patton of
Grant Thornton (External Auditor)

1. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillor Butcher (Parish Council representative).

2. NOTIFICATION OF SUBSTITUTE MEMBERS

There were no Substitute Members.

3. NOTIFICATION OF VISITING MEMBERS

Councillor Sargeant attended the meeting as an observer.

4. ELECTION OF CHAIRMAN

RESOLVED: That Councillor McLoughlin be elected as Chairman of the Committee for the Municipal Year 2015/16.

5. ELECTION OF VICE-CHAIRMAN

RESOLVED: That Councillor Mrs Gooch be elected as Vice-Chairman of the Committee for the Municipal Year 2015/16.

6. COUNCILLOR ALISTAIR BLACK

The Committee sat in silence for one minute in memory of Councillor Alistair Black, a Member and former Chairman of the Committee, who died on 13 July 2015.

7. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

8. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

9. EXEMPT ITEMS

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

10. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Committee considered the report of the Senior Solicitor (Corporate Governance) setting out details of the number of complaints received under the Members' Code of Conduct during the current Municipal Year to date. It was noted that since the Annual Meeting of the Council on 23 May 2015, there had been two new complaints which were receiving initial consideration by the Monitoring Officer. The one outstanding complaint as at 23 May 2015 had since been rejected by the Monitoring Officer (in consultation with the Independent Person) as being unfounded.

In response to questions by Members, the Senior Solicitor (Corporate Governance) confirmed that:

- Where a Hearing Panel determined that the Member against whom a complaint was made had failed to comply with the Code of Conduct, the range of possible sanctions that could be applied was limited.
- Details of alleged misconduct were kept confidential, but details of upheld complaints were published in full.

RESOLVED: That the report be noted.

11. BENEFIT FRAUD ANNUAL REPORT 2014/15

The Committee considered the report of the Benefit Fraud Manager summarising the performance of the Mid-Kent Benefit Fraud Shared Service during 2014/15 and outlining the current format of the Shared Service and the impending changes arising from the incorporation of the three partner authorities into the Single Fraud Investigation Service on 16 March 2016. In response to questions by Members, the Benefit Fraud Manager explained that:

- In terms of trends in benefit fraud, the figures were similar year on year. According to the Audit Commission report "Protecting the Public Purse", approximately 4% of activity within the benefits system was fraudulent. To mitigate the risk of over payments and to help prevent fraud entering the system, fraud awareness training was arranged for staff and there was a verification system in place.
- The Council had robust procedures to recover overpayments due to fraud and error (official and claimant) and in 2014/15 the recovery rate was 67%. However, fraudulent overpayments were far harder to

recover than overpayments caused by errors in the system, and in certain circumstances, overpayments might be written off.

- It was necessary to strike a balance between the resources allocated to tackling fraud and the amount of fraud detected i.e. the return on investment.
- With effect from 16 March 2016, responsibility for investigating allegations of benefit fraud would transfer to the Department for Work and Pensions (DWP). The Council would still be responsible for the management of housing benefit claims until Universal Credit was further expanded to encompass all claims and the Council would still have a responsibility to reduce fraud and error entering the system. It would also be the responsibility of the Council to manage and investigate Council Tax Support cases and all discounts and exemptions in relation to these cases and Non-Domestic Rates.
- A report was being prepared on the financial viability of retaining a fraud investigation service for the three partner authorities in future. As the majority of any Council Tax savings were paid to Kent County Council, an application for funding for the retention of staff had been made to the County Council, and the outcome was awaited.
- The Council had a duty to recover benefit overpayments, and this might be by way of a weekly claw-back from future benefit payments or an attachment of earnings order. The Council might also decide to take criminal proceedings in respect of fraudulent overpayments whilst having regard to the financial implications. Cautions might be offered as an alternative to prosecutions in certain cases.
- The cost of the Benefit Fraud Shared Service recharged to the Council for the year 2014/15 was £101k (of a total of £310k), based on last year's caseload.
- It was understood that the rights of any staff transferring to the DWP would be protected for at least the next three years. Transferring staff would join the Civil Service Pension Scheme and would be given the option of transferring their previous pension service into the Civil Service Pension Scheme or leaving it with their current scheme until they were entitled to receive pension payments.

RESOLVED: That the performance of the Mid-Kent Benefit Fraud Shared Service during 2014/15, the current format of the Shared Service and the impending changes arising from the incorporation of the three partner authorities into the Single Fraud Investigation Service on 16 March 2016 be noted.

12. LOCAL CODE OF CORPORATE GOVERNANCE

The Head of Policy and Communications presented an updated version of the Local Code of Corporate Governance for review and approval by the Committee prior to its submission to the Policy and Resources Committee

for agreement and then sign-off by the Leader of the Council and the Chief Executive. It was noted that amendments had been made to reflect the recent change to a Committee system of governance.

RESOLVED: That the Local Code of Corporate Governance be approved for submission to the Policy and Resources Committee for agreement prior to sign-off by the Leader of the Council and the Chief Executive.

13. ANNUAL GOVERNANCE STATEMENT 2014/15

The Head of Policy and Communications presented the draft Annual Governance Statement 2014/15 for review and approval by the Committee prior to its submission to the Policy and Resources Committee for agreement and then sign-off by the Leader of the Council and the Chief Executive. It was noted that:

- The purpose of the Annual Governance Statement was to provide assurance on the Council's governance arrangements. The Statement included a review of the effectiveness of the arrangements in place for 2014/15, and as such made reference to the Cabinet/Scrutiny system of governance, and the new governance arrangements as appropriate, and an action plan for 2015/16.
- In terms of future issues, the Corporate Governance Group, which comprised the Head of Finance and Resources, the Head of Legal Partnership (Monitoring Officer) and the Head of Policy and Communications assisted by the Head of Audit Partnership, had identified the embedding of the risk management framework recently approved by the Policy and Resources Committee, the implementation of the Communication and Engagement Strategy, the new governance arrangements and the potential disaggregation of the Planning Support Shared Service.

In response to questions by Members, the Officers explained/confirmed that:

- The reference in the Statement to a Corporate Improvement Group would be amended to read "Corporate Improvement Board".
- The Policy and Resources Committee, at its meeting held on 24 June 2015, agreed to move forward with the compilation of a comprehensive risk register. Internal Audit would be involved in supporting the process, but the ownership of the risks would remain with the lead Officers of the Council. This distinction maintained Internal Audit's independent position and was consistent with guidance on the reasonable extent of Internal Audit's role in risk management.
- The section of the Statement relating to engaging with local people and other stakeholders would be strengthened by making reference to non-statutory consultation undertaken by the Council.

- The residents' survey identified that more work needed to be done on developing residents' involvement in decision making as only 29% of respondents believed that they could influence decision making in their area. To this end, the Council had held several events to engage residents including the budget and Strategic Plan road show. The Communication and Engagement Strategy action plan for 2015/16 included actions to promote the new committee system of governance, including the introduction of a public question and answer session at meetings of the Service Committees. Consideration was also being given to how the new webcasting system could be used to involve residents in meetings.

RESOLVED: That subject to minor amendments to reflect the change in governance arrangements and to strengthen the document as set out above, the draft Annual Governance Statement for 2014/15 be approved for submission to the Policy and Resources Committee for agreement prior to sign-off by the Leader of the Council and the Chief Executive.

14. AUDIT COMMITTEE ANNUAL REPORT 2014/15

The Committee considered the Audit Committee Annual Report for 2014/15. It was noted that the report was a retrospective review of the activity of the Audit Committee and reflected that Committee's terms of reference.

The Committee agreed that the report demonstrated that the Audit Committee had effectively discharged its duties during 2014/15 and provided assurance that important internal control, governance and risk management issues were monitored and addressed by the Committee. The report also provided additional assurance to support the Annual Governance Statement.

The Committee indicated that it would wish to receive similar reports reflecting its own terms of reference in future.

Arising from its consideration of the report, the Committee was informed that the Audit Committee had agreed a Member Development Programme based on its terms of reference and the wider requirements set out in CIPFA's Audit Committee guide. Development sessions covering topics such as strategic risk management, countering fraud and the process for the appointment of external auditors had been arranged to take place immediately prior to meetings of the Committee.

The Committee felt that a comprehensive package of training was required to address Members' development needs and workflow demands and that the development sessions should be made available to all Members of the Council and the Parish Council representatives and scheduled to enable working Members to attend. The Head of Audit Partnership offered to submit a report to the September meeting of the Committee setting out a suggested series of Member development sessions.

RESOLVED:

1. That the Audit Committee Annual Report for 2014/15 be approved as a fair representation of the activity of the Committee.
2. **To RECOMMEND to the COUNCIL:** That the Audit Committee Annual Report 2014/15, which demonstrates how the Committee discharged its duties during 2014/15, provides assurance that important internal control, governance and risk management issues were monitored and addressed by the Committee, and provides assurance to support the Annual Governance Statement, be noted.
3. That the Head of Audit Partnership be requested to submit a report to the September meeting of the Committee setting out a suggested series of development sessions to address Members' needs and workflow demands.

15. INTERNAL AUDIT ANNUAL REPORT 2014/15

The Head of Audit Partnership presented the Internal Audit Annual Report 2014/15 to the Committee. In accordance with the Public Sector Internal Audit Standards, the report included:

- The annual opinion of the Head of Audit Partnership on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control;
- A summary of the work undertaken by the Internal Audit Team that supported the opinion; and
- A statement on conformance with the Public Sector Internal Audit Standards (the Standards) together with the results of the external quality assessment undertaken by the Institute of Internal Auditors.

The Head of Audit Partnership advised the Committee that he was satisfied that processes and systems across all three areas accorded with proper practice. He had reached his conclusions independently and without any undue pressure from Officers or Members. The external assessment had concluded that the Internal Audit Partnership was now fully conforming to the Standards.

In response to questions by Members, the Officers explained that:

- The Internal Audit Plan needed to be flexible and reactive to the changing risks of the Council. As the needs and priorities changed, assurance work was re-directed to ensure that it remained relevant and valuable. The Plan was, therefore, reviewed regularly, and projects were removed, added or deferred accordingly. As an example, the Land Charges project had been deferred until 2015/16 as changes in arrangements which were to be reviewed had not taken place.
- A "weak" assurance rating generally meant that the service needed to improve to consistently provide effective controls.

- In terms of the follow-up of Internal Audit recommendations, the process now was to agree dates by which actions were to be implemented rather than follow-up the whole report in one go regardless of agreements on individual recommendations. The Internal Audit Team worked throughout the year to systematically follow-up on all agreed actions as they fell due. The report included details of actions not yet due as at 31 March 2015. The actions falling due after that date would be followed-up later in the year and the findings would be included in an interim report to the Committee.
- The Internal Audit Team had looked at the Council's data protection processes, and one area that was found to be undeveloped was the policy and process under which data would be shared. The view was that the Officers could potentially inadvertently share information inappropriately for want of a clear policy and training to advise them otherwise. Internal Audit had made a number of recommendations and these were falling due now for implementation. The results of the follow-up would be reported back to the Committee later in the year.
- In terms of emergency planning, issues relating to the lack of an asset register for emergency supplies and gaps in the security and restocking of the assets held by the Council had been resolved.
- Audit work in relation to the operation of corporate credit cards had identified the need for the Council to introduce a clear procedure for the return of cards from leavers to help minimise the risk of loss from fraudulent use of ex-employees' cards. A procedure was now in place to ensure early notification of people leaving to enable corporate credit cards to be recovered.

The Committee congratulated the Head of Audit Partnership on his successful application to join the Internal Audit Standards Advisory Board as its Local Government practitioner representative, and indicated that this achievement reflected the work of the Internal Audit Team.

RESOLVED:

1. That the Committee notes the unqualified annual opinion of the Head of Audit Partnership on the overall adequacy and effectiveness of the Council's framework of governance, risk management and internal control, and supporting work, and that the opinion will be used to inform the Annual Governance Statement 2014/15.
2. That the effectiveness of the Mid-Kent Audit Service and its conformance with the Public Sector Internal Audit Standards be noted.

16. STATEMENT OF ACCOUNTS 2014/15

The Chief Accountant presented the draft un-audited Statement of Accounts which had been produced in accordance with the CIPFA Code of

Practice on Local Authority Accounting in the United Kingdom 2014/15 and which had been signed off by the Director of Regeneration and Communities as the Officer responsible prior to being submitted for external audit.

In response to questions by Members, the Officers explained that:

- There had been an increase in the pensions liability following the annual assessment of the fund by actuaries acting on behalf of Kent County Council. There was currently a £70m deficit in the scheme against a liability of £158m. The liability was not immediate and the deficit was currently being addressed through increased contributions to the fund over the working life of employees, as assessed by the scheme actuary. Whilst the situation had worsened due to the assumptions used by the actuary, it was anticipated that improvements in future would come from changes made by the Government to the Pension Regulations, the back funding contributions being made and an upturn in the market.
- Major movements in certain parts of the Balance Sheet over the year (Cash and Cash Equivalents, Long Term Investments, Long Term Liabilities and Net Assets) reflected changes in the Treasury Management Strategy, the increase in the pensions liability and fluctuations in the value of car parks.
- In 2014/15, the amounts reported for resource allocation decisions were analysed across the Cabinet Member portfolios. In 2015/16, the note would reflect the change to the Committee system of governance. The purpose of the note, which had to be included in the accounts, was to demonstrate the difference between the Comprehensive Income and Expenditure Statement which showed the analysis of income and expenditure by service and what was reported to Members throughout the year as part of quarterly budget monitoring.

RESOLVED: That the draft unaudited Statement of Accounts for 2014/15, attached as an Appendix to the report of the Chief Accountant, be noted.

17. TREASURY MANAGEMENT ANNUAL REVIEW 2014/15

The Chief Accountant presented a report setting out details of the activities of the Treasury Management function for the 2014/15 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities. It was noted that:

- All investments during 2014/15 had been short term (less than one year) with the exception of £3m with Lloyds Bank for two years at a rate of 1.3% and £2m with the Royal Bank of Scotland for two years (first year rate 1%, second year rate 1.44%).

- The use of property funds was looked at during the year, but the net returns (after deducting management fees) were judged to be insufficient to justify the level of risk associated with this type of investment and the length of time that funds would have been tied up.
- The balance of investments as at 31 March 2015 was £21.1m. The average rate on Council investments during the year was 0.68%. Investment income for the year was £204k against a budget of £250k. The shortfall was due to the fact that rates had not increased as anticipated.
- The only borrowing that occurred during the year was for £1.5m for seven days at a rate of 0.28%. This was for short term liquidity reasons as a consequence of lower than expected income levels, and the total cost of the borrowing was £80.55.
- The Council's investment priorities were security of capital, liquidity and yield. The aim was to achieve the optimum return on investments with proper levels of security and liquidity.

In response to a question regarding the need for a separate investment strategy looking at opportunities for investment in commercial assets to reduce revenue costs, the Head of Finance and Resources explained that a report would be submitted to the Policy and Resources Committee presenting outturn figures for revenue and capital expenditure in 2014/15, and this included details of the acquisition of commercial assets. Going forward, the strategy in relation to the commercialisation opportunities being pursued would be redesigned and the associated risks would be reported to the Audit Committee in January 2016 as part of the risk assessment of the Medium Term Financial Strategy.

RESOLVED:

1. That the review of the financial year 2014/15 which has been compiled in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities be noted.
2. That no amendments are necessary to the current treasury management procedures as a result of the review of activities in 2014/15.

18. EXTERNAL AUDIT FEE LETTER 2015/16

The Committee considered the report of the Chief Accountant setting out details of the proposed external audit fees for 2015/16. It was noted that the main audit fee had been set at £50,475, which represented a reduction of £16,825 compared with the anticipated 2014/15 fee of £67,300. The main audit fee covered the financial statements audit and the value for money conclusion. In addition to this the indicative fee for grant claim certification work had been set at £11,418, compared with £13,910 in 2014/15. This related to the certification of the housing benefits subsidy claim.

RESOLVED: That the proposed audit fee of £61,893 for the 2015/16 audit work to be undertaken by Grant Thornton be noted.

19. EXTERNAL AUDIT UPDATE JULY 2015

The Committee considered the report of the External Auditor on the progress to date against the 2014/15 audit plan. The report also provided a summary of emerging national issues and developments that might be relevant to the Committee together with a number of challenge questions in respect of these emerging issues.

It was noted that the following Grant Thornton reports referred to in the paper could be made available for Members and built into Member briefings:

Spreading their Wings: Building a Successful Local Authority Trading Company

Easing the Burden: The Impact of Welfare Reform on Local Government and the Social Housing Sector

A Guide to Local Authority Accounts

RESOLVED: That the External Auditor's progress report, attached as an Appendix to the report of the Chief Accountant, be noted.

20. DURATION OF MEETING

6.30 p.m. to 8.00 p.m.

Audit, Governance & Standards Committee

21 September 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Member Briefings

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

This report makes the following recommendations to this Committee:

1. **Approve**, subject to any comment or amendment, the briefing session timetable proposed in this document.
2. **Add** to its ongoing work programme an annual revisit and reassessment of the nature and topics of its briefing programme.
3. **Delegate** to the Chairman of this Committee the ability to decide, in consultation with officers and fellow Members as appropriate, the details of format, content and timing of individual briefings.

This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all -
- Securing a successful economy for Maidstone Borough -

The report supports the good governance of Maidstone Borough Council and so contributes broadly to achievement of its corporate priorities.

Timetable

Meeting	Date
Committee (Audit, Governance & Standards)	21 September 2015

Member Briefings

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report builds on the November 2014 version in proposing a timetable of Member briefings that will, over time, provide illumination and background across its wider responsibilities.
 - 1.2 The report proposes briefings last around 45 minutes, take place immediately before Committee meetings and be open to all Members to attend (not just Committee Members). Also, to be clear, the briefings run alongside and do not replace any more in-depth or detailed training sessions that may be offered to or requested by Members in helping them fulfil their duties.
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2. INTRODUCTION AND BACKGROUND

- 2.1 This Committee's predecessor group, the Audit Committee, instituted in November 2014 a programme of briefings aimed at providing updates and context to issues within its responsibility. At the suggestion of the Head of Audit Partnership, the Audit Governance and Standards Committee in its first meeting in June 2015, mindful of its remit, requested a paper proposing a refreshed and expanded briefing programme.
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3. AVAILABLE OPTIONS

- 3.1 Member briefings are not a mandatory requirement set by the Council's constitution and so the Committee might decide not to pursue the proposal. As the briefings would be prepared principally by in-house staff on topics of professional interest there would be no additional cash cost of provision and consequently no savings if briefings are not required. Members will have to pursue other options to keep their understanding of relevant issues current.
 - 3.2 If Members wish to receive briefing sessions then the content, format and timing in this proposal is but one option which is potentially variable to Member requirements in myriad ways. This report suggests delegating responsibility for approving the detail of briefing sessions to the Chairman, after consulting with colleagues as he deems appropriate.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The programme set out in this paper aligns to the full breadth of responsibilities of this Committee and aims, over time, to provide an opportunity for Members to receive updates in every area. Naturally, the proposal also retains flexibility to allow for Members to adapt the programme to reflect then current demands or circumstances.

4.2 At present, the report proposes that briefings are arranged in-house, drawing on the expertise and professional experience of officers. However, there also exists the possibility of drawing in external contributions and the Council’s external auditors – Grant Thornton – have kindly indicated a wish to be involved. Any briefings or proposed briefings that require additional expense will be considered separately on a case-by-case basis but at present no such sessions are proposed.

Format

4.3 The report proposes following the format established through 2014/15 of a session open to all Members and beginning an hour before a Committee meeting. The briefing would last approximately 45 minutes, generally divided 50/50 between time for presentations and questions/discussion although of course that will be flexible by topic.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 The earlier run of briefing sessions in 2014/15 was well received by Members and drew reasonable attendances, hence the proposal here to vary little from the overall approach but to expand its scope alongside this Committee’s broader responsibilities.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 If accepted, officers will prepare the next and subsequent briefings as set out in the appendix.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report supports the general good governance of the Council and so will help achievement of all corporate priorities.	Rich Clarke, Head of Audit Partnership
Risk Management	The report introduces no risks that require separate description in the Council’s risk registers, nor materially impacts any currently described.	Rich Clarke, Head of Audit Partnership
Financial	There are no additional costs or savings associated with this proposal.	[Section 151 Officer & Finance Team]
Staffing	There are no staffing implications associated with this proposal.	Rich Clarke, Head of Audit Partnership

Issue	Implications	Sign-off
Legal	There are no legal implications for this report.	[Legal Team]
Equality Impact Needs Assessment	This report does not describe circumstances which require an Equality Impact Needs Assessment.	[Policy & Information Manager]
Environmental/Sustainable Development	There are no environmental or sustainable development implications for this report.	Rich Clarke, Head of Audit Partnership
Community Safety	There are no community safety implications for this report.	Rich Clarke, Head of Audit Partnership
Human Rights Act	There are no implications for the Council's responsibilities under the Human Rights Act in this report.	Rich Clarke, Head of Audit Partnership
Procurement	There are no procurement implications for this report.	Rich Clarke, Head of Audit Partnership
Asset Management	There are no asset management implications for this report.	Rich Clarke, Head of Audit Partnership

8. REPORT APPENDICES

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

- Appendix I: Audit, Governance & Standards Committee Member Briefing Programme

9. BACKGROUND PAPERS

In preparing this report, we have referenced

- Maidstone Borough Council's constitution ([link](#))
- CIPFA Practical Guidance For Audit Committees ([link to sample](#), full document is proprietary and held by Mid Kent Audit Partnership)
- CIPFA Better Governance Forum updates ([link](#), only accessible to BGF Members, which will include all MBC Councillors and Officers who have registered)
- Grant Thornton Audit Committee Updates (generally available, [link](#)).

Audit, Governance & Standards Committee: Member Briefing Programme

Briefing theme & potential specific topics	Ref to AGS role/s	Suggested timing
Reviewing an audit plan <ul style="list-style-type: none"> - Member roles in relation to internal audit - Ensuring effective internal audit - Performance measures in audit 	1, 2, 7, 12	Winter ahead of March IA plan approval.
Reviewing the Annual Governance Statement <ul style="list-style-type: none"> - The AGS within the Council's governance - Specific topics within the AGS - Comparative review of AGS across local gov 	10, 11, 12	Spring to align with AGS approval in June.
Countering Fraud <ul style="list-style-type: none"> - Whistleblowing - Investigative practice - Fraud risks and the Councils response - Governance polices 	6, 9, 11	Flexible timing at any point in the year.
Risk Management <ul style="list-style-type: none"> - Risk appetite - Specific strategic and operational risks - Risk management strategy - Local government risk outlook 	8, 10	Spring or Winter to align with presenting risk register to PRC.
Role of internal and external audit <ul style="list-style-type: none"> - Differences in internal/external audit role - Assuring effective external audit - External auditor appointment 	1, 2, 3	Autumn/Winter to align with issue of audit opinion
Understanding local authority accounts <ul style="list-style-type: none"> - General understanding of accounts - Specific update/annual issues - Comparative review of LG accounts 	4	Spring/Summer to align with September accounts
Assurance across partnerships <ul style="list-style-type: none"> - Governance challenges in partnership working - Review on specific partnerships 	11, 12	Flexible timing at any point in the year.
Commissioning, procurement and contracting <ul style="list-style-type: none"> - Risks in commissioning - Effective procurement processes 	7, 12	Flexible timing at any point in the year.
Assurance on value for money <ul style="list-style-type: none"> - How external audit assess VfM conclusion - Measuring value for money in local government - Data quality and performance measurement 	3	Winter/Spring ahead of audit plan/VfM conclusion

Briefing theme & potential specific topics	Ref to AGS role/s	Suggested timing
Internal Audit Standards <ul style="list-style-type: none"> - How standards are set and monitored - Specific work on IA conformance 	1	Autumn to align with external assessment
Treasury Management <ul style="list-style-type: none"> - Investment and borrowing options for local authorities - Prudential Code - Financial outlook for local authorities 	5	Winter to align with approval of treasury management policy
Standards/Code of Conduct <ul style="list-style-type: none"> - The Kent Code - Hearing practices - Case studies 	13	Flexible, although could align with updates to code and/or complaints caseload

Constitution Extract: AGS Responsibilities

1. To consider the Head of Internal Audit Partnership's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements
2. To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the Strategic Internal Audit Plan and any report on agreed recommendations not implemented within a reasonable timescale; and the Internal Audit Charter?
3. To consider the External Auditor's Annual Audit Letter, relevant reports, and any other report or recommendation to those charged with governance; and ensure that the Council has satisfactorily addressed all issues raised. To comment on the scope and depth of external audit work and to ensure it gives value for money.
4. To review and approve the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.
5. Consider and review the effectiveness of the Treasury Management Strategy, Investment Strategy, Medium Term Financial Strategy, Annual Report and Mid-Year review and make recommendations to the Policy and Resources Committee and Council.

6. Recommend and monitor the effectiveness of the Council's Counter-Fraud and Corruption Strategy.
7. To maintain a financial overview of the operation of Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.
8. In conjunction with Policy and Resources Committee to monitor the effective development and operation of risk management and corporate governance in the Council to ensure that strategically the risk management and corporate governance arrangements protect the Council.
9. To monitor Council policies on 'Raising Concerns at Work' (Whistleblowing') and the 'Anti-fraud and corruption' strategy.
10. To oversee the production of the authority's Annual Governance Statement and to agree its adoption.
11. The Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice and high standards of ethics and probity. This Committee will receive the annual review of the Local Code of Corporate Governance and may make recommendations to Policy and Resources Committee for proposed amendments, as necessary.
12. To consider whether safeguards are in place to secure the Council's compliance with its own and other published standards and controls.
13. Responsibilities for Standards:
 - a. The promotion and maintenance of high standards of conduct within the Council.
 - b. To advise the Council on the adoption or revision of its Codes of Conduct.
 - c. To monitor and advise the Council about the operation of its Codes of Conduct in the light of best practice, and changes in the law, including in relation to gifts and hospitality and the declaration of interests.
 - d. Assistance to Councillors, Parish Councillors and co-opted members of the authority to observe the Code of Conduct.
 - e. To ensure that all Councillors have access to training in Governance, Audit and the Councillor Code of Conduct; that this training is actively promoted; and that Councillors are aware of the standards expected under the Councils Codes and Protocols.

- f. To deal with complaints that Councillors of the Borough Council and Parish Councils may have broken the Councillor Code of Conduct.
- g. Following a formal investigation and where the Monitoring Officer's investigation concludes that there has been a breach of the Code of Conduct a hearing into the matter will be undertaken.
- h. Advice on the effectiveness of the above procedures and any proposed changes.
- i. Grant of dispensations to Councillors with disclosable pecuniary interests and other significant interests, in accordance with the provisions of the Localism Act 2011.

Proposed Briefings 15/16

Note that the specific proposal below is based on information known at the time of writing. If issues of particular interest or concern emerge we could potentially modify the schedule in consultation with the Committee Chairman.

Meeting Date	Topic Proposal	Notes
23 November 2015	Role of internal & external audit: external auditor appointment	By November we will know whether CLG has decided to extend current arrangements or whether the Council will in 2016 have to choose its own auditor. Although mentioned briefly in June 2015 training, this briefing will aim to set out in detail the practical steps the Council must take to reach this decision.
January 2016 (date tbc)	Reviewing an audit plan: Content, scope and performance of internal audit.	At its March 2016 meeting the Committee will be invited to approve a new internal audit plan for 2016/17. This briefing will aim to take Members in detail through development of the audit plan, the risk assessment process that lies beneath and details on how the audit work is conducted and results influence future planning.
March 2016 (date tbc)	Assurance on Value for Money	At its June 2016 meeting the Committee will see the external audit plan including how Grant Thornton will fulfil their responsibilities in delivering a value for money conclusion on MBC. This briefing will cover in more detail the scope and underlying work behind that conclusion, including what sources of assurance auditors look to and how they assess effectiveness.

Audit, Governance and Standards Committee

21st September 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

External Auditor's Audit Findings Report 2014/15

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Paul Riley, Head of Finance and Resources
Lead Officer and Report Author	Paul Holland, Senior Accountant (Client)
Classification	Public
Wards affected	N/A

This report makes the following recommendations to this Committee:

1. To note the contents of the Grant Thornton Audit Findings Report as attached at **Appendix A**, and to agree the response to the proposed recommendations.
2. To approve the audited Statement of Accounts for 2014/15 as attached at **Appendix B**.
3. To approve the Letter of Representation as attached at **Appendix C**.

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

Timetable

Meeting	Date
Audit, Governance and Standards Committee	20 th July 2015 (draft)
Audit, Governance and Standards Committee	21 st September 2015 (final – audited)

External Auditor's Audit Findings Report 2014/15

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The amended Accounts & Audit Regulations 2011 require the audited Statement of Accounts (as attached at **Appendix B**) to be approved by the Audit, Governance and Standards Committee by 30th September.
 - 1.2 The external audit has now been completed, and the Audit Findings Report is attached at **Appendix A**. Representatives from the Council's external auditors, Grant Thornton will also be in attendance to answer any questions relating to this report.
 - 1.3 The Committee is also asked to consider and approve the Letter of Representation as attached at **Appendix C**.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 The un-audited Statement of Accounts was reviewed by the committee at the meeting dated 20th July 2015. There was no requirement for it to be submitted at that point, but it was considered to be useful for committee members to receive the draft accounts submitted for audit in advance of formally approving the final version. At that time the external audit was in progress and has now been completed.
 - 2.2 Councils are required to advertise the arrangements for the public inspection of the Statement of Accounts and the date for the commencement of the audit. The public are also informed when the audit of accounts is concluded and to have access to copies of the accounts and any auditor's certificate, opinion or report relating to them.
 - 2.3 Auditing standards require the external auditor to report the findings of their work to those charged with governance, i.e. the Audit, Governance and Standards Committee. The Audit Findings Report attached at **Appendix A** to this report enables the committee to consider and formally approve the Statement of Accounts with the benefit of this information, and also allows the external auditor to take into account any comments from the committee prior to the issuing of the audit opinion.
 - 2.4 This process involves:
 - a) The submission of the Audit Findings Report and the Letter of Representation to the Audit, Governance and Standards Committee.
 - b) Taking into account any comments by the Committee, the issue by the external auditor of the audit opinion.
 - 2.5 All of the above issues must be addressed by 30th September 2015.
-

3. AVAILABLE OPTIONS

- 3.1 The formal approval of the Statement of Accounts is a statutory requirement and therefore there are no alternative options.
-

4. AUDIT FINDINGS REPORT

- 4.1 Grant Thornton have been appointed as the Council's independent external auditors by the Audit Commission. Following the closure of the Audit Commission in March 2015, this contract is now being overseen by Public Sector Audit Appointments Limited.
- 4.2 Their Audit Findings Report is attached at **Appendix A**. Representatives from Grant Thornton will be in attendance at the meeting to present the report and answer any questions prior to the committee formally approving the Statement of Accounts.
- 4.3 Amendments arising from the audit have been summarised on pages 13/14 of **Appendix A**. None of the amendments have affected the Council's General Fund balance at 31st March 2015. A number of other minor changes have also been made to improve the presentation and clarity of the Statement of Accounts.
- 4.4 The report also includes a review of Value for Money, and concludes that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in the use of its resources for the year ending 31st March 2015.
- 4.5 Within the review the Council's key performance indicators were considered, and an assessment was made against five themes underpinning the two Value for Money criteria specified by the Audit Commission. Overall the council was rated as green across all areas on the Red/Amber/Green scale. As part of this work, three residual risks were identified and rated as Amber. These matters are detailed on page 20 of **Appendix A** and will be revisited as part of the audit planning work for 2015/16.
- 4.6 Three recommendations relating to these risks have been made, and these are shown at page 26 of Appendix A, along with the officers response.
- 4.7 The external auditor intends to issue an unqualified opinion on the 2014/15 Statement of Accounts, and an unqualified Value for Money conclusion.
-

5. LETTER OF REPRESENTATION

- 5.1 The Letter of Representation attached at **Appendix C** is written from the Council to the external auditor and will be signed by the Head of Finance and Resources.

- 5.2 This is provided for the purpose of expressing an opinion as to whether the Statement of Accounts gives a true and fair view in accordance with CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.
- 5.3 The letter confirms that the Council has fulfilled its responsibilities and provided the external auditor with access to all information of relevance to the financial statements audit including records, documentation and other matters.
- 5.4 The letter also confirms that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. The appropriateness of this statement is evidenced by the fact that all services have full revenue budget provision for 2015/16 onwards and the capital programme, asset management plan and medium term financial strategy for 2015/16 onwards consider only service efficiencies and growth in corporate or service objectives.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 Once the Statement of Accounts has been formally approved it is a statutory requirement that they be published by 30th September 2015.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Production of the annual Statement of Accounts which is free from material or significant error is a key element of the annual external assessment process. It is therefore important that the statement of accounts meets this requirement.	Head of Finance & Resources
Risk Management	The primary risks are that the Council fails to produce its accounts in accordance with the requirements of the Code of Practice or statutory timetable. A risk assessment has been undertaken in order to mitigate this risk.	Head of Finance & Resources

Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2015, and details the council's assets, liabilities and reserves at this date.	Head of Finance & Resources and Finance Team
Staffing	Not applicable	
Legal	Not applicable	
Equality Impact Needs Assessment	Not applicable	
Environmental/Sustainable Development	Not applicable	
Community Safety	Not applicable	
Human Rights Act	Not applicable	
Procurement	Not applicable	
Asset Management	Not applicable	

8. REPORT APPENDICES

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

- Appendix A: External Auditor's Audit Findings Report
- Appendix B: Statement of Accounts 2014/15
- Appendix C: Letter of Representation

9. BACKGROUND PAPERS

None.



The Audit Findings for Maidstone Borough Council

Year ended 31 March 2015

21 September 2015

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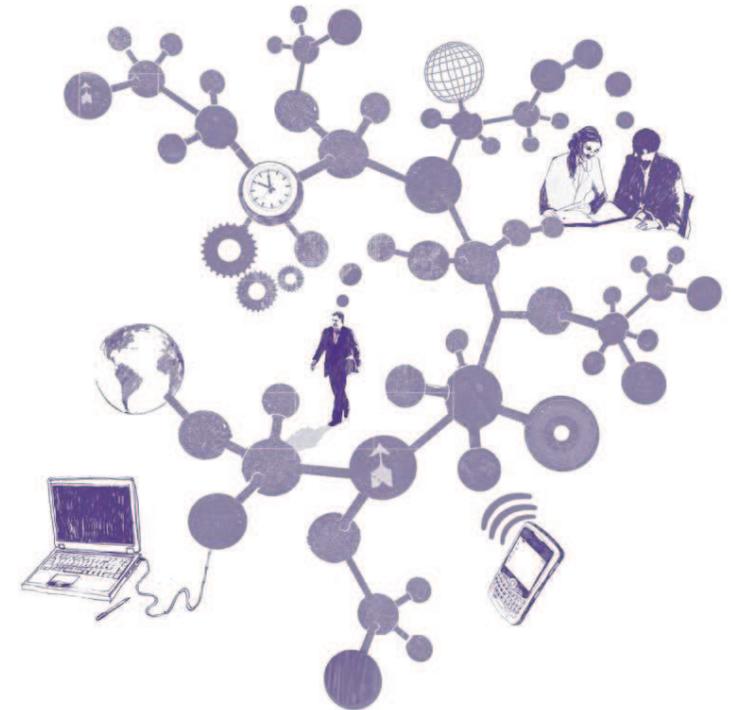
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Section 1: Executive summary

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Executive summary

Purpose of this report

This report highlights the key matters arising from our audit of Maidstone Borough Council's (the Council) financial statements for the year ended 31 March 2015. It is also used to report our audit findings to management and those charged with governance in accordance with the requirements of International Standard on Auditing 260 (ISA UK&I).

Under the Audit Commission's Code of Audit Practice we are required to report whether, in our opinion, the Council's financial statements present a true and fair view of the financial position and expenditure and income for the year and whether they have been properly prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting. We are also required to reach a formal conclusion on whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources (the Value for Money conclusion).

Introduction

In the conduct of our audit we have not had to alter our planned audit approach, which we communicated to you in our Audit Plan dated 30th March 2015.

Our audit is substantially complete although we are finalising our work in the following areas:

- review of the final version of the financial statements
- obtaining and reviewing the management letter of representation
- review of the final version of the Annual Governance Statement
- updating our post balance sheet events review, to the date of signing the opinion, and

We received draft financial statements and accompanying working papers at the start of our audit, in accordance with the agreed timetable.

Key issues arising from our audit

Financial statements opinion

We anticipate providing an unqualified opinion in respect of the financial statements.

The key messages arising from our audit of the Council's financial statements are:

- the Council provided a good quality set of financial statements for audit accompanied by comprehensive working papers in line with the agreed timetable. Officers responded promptly to audit queries, enabling us to complete fieldwork in a timely and efficient manner.
- a small number of amendments were identified to the accounts. These were disclosure changes that did not impact on the main financial statements. Officers alerted us early on in the audit to some corrections to short term debtors and creditors of £6,261k affecting the balance sheet.
- Details of the adjustments we identified are recorded in section 2 of this report. We have also identified adjustments to improve the presentation of the financial statements. All of these have been accepted by officers and are reflected in the revised statement of accounts to be presented to the Audit, Standards and Governance Committee meeting on 21 September 2015.

Value for Money conclusion

We are pleased to report that, based on our review of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources, we propose to give an unqualified VfM conclusion.

Further detail of our work on Value for Money is set out in section three of this report.

Whole of Government Accounts (WGA)

We will complete our work in respect of the Whole of Government Accounts in accordance with the national timetable. We expect to conclude this at the same time as giving the opinion on the financial statements.

Controls

Roles and responsibilities

The Council's management is responsible for the identification, assessment, management and monitoring of risk, and for developing, operating and monitoring the system of internal control.

Our audit is not designed to test all internal controls or identify all areas of control weakness. However, where, as part of our testing, we identify any control weaknesses, we report these to the Council.

Findings

Our work has not identified any control weaknesses which we wish to highlight for your attention.

The way forward

Matters arising from the financial statements audit and review of the Council's arrangements for securing economy, efficiency and effectiveness in its use of resources have been discussed with the Head of Finance & Resources.

We have made a number of recommendations, which are set out in the action plan in Appendix A. Recommendations have been discussed and agreed with the Head of Finance & Resources and the finance team.

Acknowledgment

We would like to take this opportunity to record our appreciation for the assistance provided by the finance team and other staff during our audit.

Grant Thornton UK LLP
September 2015

Section 2: Audit findings

01. Executive summary

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02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Audit findings

In this section we present our findings in respect of matters and risks identified at the planning stage of the audit and additional matters that arose during the course of our work. We set out on the following pages the work we have performed and the findings arising from our work in respect of the audit risks we identified in our audit plan, presented to the Audit Committee. We also set out the adjustments to the financial statements arising from our audit work and our findings in respect of internal controls.

Changes to Audit Plan

We have not made any changes to our Audit Plan as previously communicated to you on 30th March 2015.

Audit opinion

We anticipate we will provide the Council with an unqualified opinion as set out in Appendix B.

Audit findings against significant risks

"Significant risks often relate to significant non-routine transactions and judgmental matters. Non-routine transactions are transactions that are unusual, either due to size or nature, and that therefore occur infrequently. Judgmental matters may include the development of accounting estimates for which there is significant measurement uncertainty" (ISA (UK&I) 315).

In this section we detail our response to the significant risks of material misstatement which we identified in the Audit Plan. As we noted in our plan, there are two presumed significant risks which are applicable to all audits under auditing standards.

	Risks identified in our audit plan	Work completed	Assurance gained and issues arising
1. 31	<p>Improper revenue recognition</p> <p>Under ISA (UK&I) 240 there is a presumed risk that revenue may be misstated due to improper recognition</p> <p>This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.</p> <p>Although we have rebutted the significant risk presumption as explained in our Audit Plan, we are required to still perform testing to address the inherent risk.</p>	<ul style="list-style-type: none"> We reviewed and tested the Council's revenue recognition policies We carried out substantive testing of material revenue streams. 	<p>We determined that the risk of fraud arising from revenue recognition could be rebutted.</p> <p>Our audit work has not identified any issues that would lead us to believe that revenue has been fraudulently or erroneously recognised in the statements.</p> <p>We did identify a couple of disclosure errors in Note 15 Grant Income which officers have amended. We set out our findings in detail in the 'Misclassifications and Disclosures changes' section of this report.</p>
2.	<p>Management override of controls</p> <p>Under ISA (UK&I) 240 there is a presumed risk of management over-ride of controls</p>	<ul style="list-style-type: none"> We reviewed the significant accounting estimates, judgements and decisions made by management. We documented the controls around journal entries and carried out testing of journal entries We remained vigilant for any unusual significant transactions 	<p>Our audit work has not identified any evidence of management override of controls. In particular the findings of our review of journal controls and testing of journal entries has not identified any significant issues.</p> <p>We did not identify any significant unusual transactions. We set out later in this section of the report our work and findings on key accounting estimates and judgments.</p>

Audit findings against other risks

In this section we detail our response to the other risks of material misstatement which we identified in the Audit Plan. Recommendations, together with management responses, are attached at Appendix A.

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Operating expenses</p> <p style="text-align: center;">32</p>	<p>Creditors understated or not recorded in the correct period</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We documented our understanding of processes and key controls over the transaction cycle. • We undertook a walkthrough of the key controls to assess whether they operated in line with our documented understanding • We performed sample testing of payments made in the financial year to gain assurance expenditure occurred and had been correctly classified. • We reviewed the Council's process for making accruals and sample tested accrued amounts to ensure completeness and accuracy. • We tested payments made after the year-end to ensure they were accrued in the correct financial year. • We reviewed minutes and made enquiries of appropriate officers to ensure that litigation and claims against the Council were not understated in the accounts. 	<p>We did not identify any findings which suggested that creditors or expenditure were understated in the financial statements.</p>

Audit findings against other risks (continued)

Transaction cycle	Description of risk	Work completed	Assurance gained & issues arising
<p>Welfare expenditure</p> <p>33</p>	<p>Welfare benefit expenditure improperly computed</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • We documented our understanding of the processes and key controls over the transaction cycle, including a walkthrough of the key controls to ensure they were designed effectively. • Reconciled benefit expenditure from the ledger to the benefit subsidy claim and housing benefit system and assessed the impact of any significant differences. • Reviewed the system parameters for uprating and completed the benefit software diagnostic tool. • Carried out an analytical review of year on year variances and comparison to national data. • Tested a sample of housing benefit claims as part of the certification of the 2014/15 benefit subsidy claim. 	<p>Our audit work has not identified any significant issues in relation to the risk identified. We are satisfied that welfare benefit expenditure is not materially misstated.</p>
<p>Employee remuneration</p>	<p>Employee remuneration and benefits obligations and expenses are understated.</p>	<p>We have undertaken the following work in relation to this risk:</p> <ul style="list-style-type: none"> • documented our understanding of processes and key controls over the transaction cycle, including a walkthrough of the key controls to ensure they were designed effectively. • We reconciled employee remuneration costs in the financial statements to the payroll system. • We carried out a trend analysis to ensure that monthly payroll totals were in line with expectations and followed up any unexpected movements. • We performed sample testing of payroll records to gain assurance that employees have been remunerated correctly during 2014/15 and costs are not understated. • We tested the pension fund liability in the statements by evaluating the work of the scheme actuary and the work of the administering authority auditor, and testing the basis of calculating the liability. 	<p>There were no significant issues arising from our work to draw to your attention. We are satisfied that employee remuneration and benefits obligations and expenses are not materially misstated.</p>

Accounting policies, estimates & judgements

In this section we report on our consideration of accounting policies, in particular revenue recognition policies, and key estimates and judgements made and included with the Council's financial statements.

Accounting area	Summary of policy	Comments	Assessment
Revenue recognition	<p>The Council's main source of income is central government grants and council tax. Grant income is recognised in the Comprehensive Income and Expenditure Statement when the Council has reasonable assurance that it will comply with the grant conditions and that amounts will be received.</p> <p>Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council. Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction.</p>	<p>Overall, the Council's accounting policy is appropriate under IAS 18 Revenue and CIPFA's Code of Practice on Local Government Accounting in the UK 2014/15.</p> <p>We have made a recommendation to improve the clarity of the council tax and business rates accounting policies.</p>	 Green
Estimates and judgements	<p>Key estimates and judgements include :</p> <ul style="list-style-type: none"> • Valuation and useful life of property, plant and equipment • pension fund valuations and settlements • Valuation of arrears and provision for impairment • Provision for appeals against NNDR rating. 	<p>The Council's use of accounting estimates is disclosed in note 3 (Assumptions made about the future and other major sources of estimation uncertainty). Our review of the judgements and estimates has identified one area for improvement. We reviewed:</p> <ul style="list-style-type: none"> • The valuation of property, plant and equipment, considered the work of the Council's expert and evaluated whether assets not revalued in 2014-15 were fairly stated as at 31 March; • The work of the Council's Actuary using an auditor's expert • The valuation of arrears and considered the adequacy of the bad debt provision; • The Council's calculation of its provision for NNDR appeals. <p>Our audit work identified that some of the assumptions used by the Valuer in preparing the valuation of assets did not take into account the full information available. The adjustments arising from this are disclosed in the 'adjusted misstatements' section of this document.</p>	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate and disclosures sufficient

● Accounting policy appropriate but scope for improved disclosure

Accounting policies, estimates & judgements (continued)

Accounting area	Summary of policy	Comments	Assessment
Going concern	Management have a reasonable expectation that the services provided by the Council will continue for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the financial statements.	We have reviewed management's assessment and are satisfied the going concern basis is appropriate for the 2014/15 financial statements.	 Green
Other accounting policies 35	The accounting policies are set out in Note 1 to the financial statements and are sufficiently comprehensive. We have reviewed the Council's policies against the requirements of the CIPFA Code and accounting standards.	<p>We have made a small number of amendments to improve the users' understanding of accounting policies, which have been accepted by officers including:</p> <ul style="list-style-type: none"> • Enhancement of the council tax and business rates accounting policies • Provision for bad debts to be disclosed as an item netting off debtors • Increased clarity around the valuation of PPE. 	 Green

Assessment

● Marginal accounting policy which could potentially attract attention from regulators

● Accounting policy appropriate but scope for improved disclosure

● Accounting policy appropriate and disclosures sufficient

Adjusted misstatements

A number of adjustments to the draft financial statements have been identified during the audit process. We are required to report all non-trivial misstatements to those charged with governance, whether or not the financial statements have been adjusted by management. The table below summarises the adjustments arising from the audit which have been processed by management. There are no misstatements which management has declined to adjust.

All adjusted misstatements are set out below along with the impact on the primary statements and the reported financial position.

Detail	Comprehensive Income and Expenditure Account £'000	Balance Sheet £'000	Impact on total net expenditure £'000
1 Earmarked reserves cannot be retrospectively earmarked even if it was the intention that they be used for particular purposes. Therefore the restated 2013/14 Movement in Reserves Statement should be removed, and earmarked reserve balance at 31st March 2014 be removed.		Dr Earmarked Reserves (at 31 March 2014) 6,876 Cr General Fund (at 31 March 2014) 6,876	N/A
2 Debtors and creditors in respect of the collection fund were both overstated		Dr Creditors 6,261 Cr Debtors 6,261	N/A
3 The value of Union Street East car park and Aylesbury House was incorrect due to information provided by the valuer not being up to date. The car park will decrease by £150k, and Aylesbury House will increase by £110k, leading to a net decrease in PPE (Land & Building) of £40k.	Dr CIES 40 Cr MIRS 40	Dr Capital Adjustment Account 40 Cr PPE (Land & buildings) 40	40 (but no impact on general fund balance)
Overall impact	£40	Nil impact on net assets	£40

Misclassifications & disclosure changes

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

Adjustment type	Value £'000	Account balance	Impact on the financial statements
1 Misclassification	104	Grant Income (Note 15)	A misclassification between 'other grants' and 'new legislation' line was identified on review of the general ledger. There is no impact on the grant income in the Comprehensive Income and Expenditure Statement as the error was limited to the disclosure note.
2 Disclosure	3,948	Grant Income (Note 15)	New Homes Bonus and Flood Relief Grant are incorrectly disclosed as 'credited to services': they are in fact included within non-ringfenced government grants credited to taxation and non-specific grant income. Officers demonstrated that this was a disclosure error and not double-counted in the CIES.
3 Disclosure	457	Financial Instruments (Note 21)	'Financial Liabilities at amortised cost' to decrease by £457k to exclude ineligible creditors relating to payroll.
4 Disclosure	151	Finance Leases (Note 34)	Future minimum payments for finance leases 'not more than 1 year' to be reduced to exclude amounts relating to the park and ride which was fully paid out in 2014/15.
5 Disclosure	Various	Property, Plant and Equipment (Note 17)	The split between the revaluation decrease in the revaluation reserve and revaluation decrease recognised in the CIES per Note 17 'Movements on Balances' should be the same as the figures in the Analysis of Land and Buildings.

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Other communication requirements

We set out below details of other matters which we are required by auditing standards to communicate to those charged with governance.

	Issue	Commentary
1.	Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee in March 2015 and no issues were brought to our attention that impacted on the audit at the planning stage. We have not been made aware of any incidents or issues since this date and during the course of our accounts audit that impact on the audit opinion.
2.	Matters in relation to laws and regulations	We are not aware from our discussions with management or from our audit procedures of any significant incidences of non-compliance with relevant laws and regulations.
3.	Written representations	A letter of representation has been requested from the Council.
4.	Disclosures	Our review found no material omissions in the financial statements other than those highlighted on the previous page.
5. 	Matters in relation to related parties	We are not aware of any related party transactions which have not been disclosed.
6.	Confirmation requests from third parties	We have obtained direct confirmations of all cash holdings at bank and investments held by the Council which confirm these are not materially misstated in the financial statements.

Section 3: Value for Money

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Value for Money

Value for money conclusion

The Code of Audit Practice 2010 (the Code) describes the Council's responsibilities to put in place proper arrangements to:

- secure economy, efficiency and effectiveness in its use of resources;
- ensure proper stewardship and governance; and
- review regularly the adequacy and effectiveness of these arrangements.

We are required to give our VfM conclusion based on two criteria specified by the Audit Commission which support our reporting responsibilities under the Code.

These criteria are:

The Council has proper arrangements in place for securing financial resilience - the Council has robust systems and processes to manage effectively financial risks and opportunities, and to secure a stable financial position that enables it to continue to operate for the foreseeable future.

The Council has proper arrangements for challenging how it secures economy, efficiency and effectiveness - the Council is prioritising its resources within tighter budgets, for example by achieving cost reductions and by improving efficiency and productivity.

Key findings

Securing financial resilience

We have undertaken a review which considered the Council's arrangements against the three expected characteristics of proper arrangements as defined by the Audit Commission:

- Financial governance;
- Financial planning; and
- Financial control.

Overall our work highlighted the Council has sound processes in place for financial governance, planning and control. It continues to face significant financial pressures to balance its budgets and is adopting different ways to deliver services to meet increasing demands with reduced funding. The Council has engaged with its stakeholders to help it set and deliver a balanced budget. We have not identified any significant weaknesses that impact on our conclusion, and we have noted that the Council has addressed our 2013/14 recommendation to formally earmark reserves within their medium term financial strategy and statement of accounts.

Challenging economy, efficiency and effectiveness

We have considered the Council's arrangements to challenge economy, efficiency and effectiveness against the following themes:

- Prioritising resources
- Improving efficiency & productivity

Overall our work highlighted that the Council has adequate arrangements in place to prioritise its resources and to improve efficiency and productivity. We note that Tunbridge Wells Borough Council's decision to leave the shared planning support service may impact on the efficiencies obtained through a shared service. We have also recommended that the Council carry out the planned post-implementation review of shared services generally.

Overall VfM conclusion

On the basis of our work, and having regard to the guidance on the specified criteria published by the Audit Commission, we are satisfied that in all significant respects the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ending 31 March 2015

Value for Money

We set out below our detailed findings against six risk areas which have been used to assess the Council's performance against the Audit Commission's criteria. We summarise our assessment of each risk area using a red, amber or green (RAG) rating, based on the following definitions:

Green	Adequate arrangements
Amber	Adequate arrangements, with areas for development
Red	Inadequate arrangements

The table below and overleaf summarises our overall rating for each of the themes reviewed:

Theme	Summary findings	RAG rating
Key indicators of performance	<ul style="list-style-type: none"> We have reviewed the key indicators of performance: liquidity; borrowing; workforce; performance against budgets; and reserve balances. The Council monitors its performance against all these areas and has not breached any of its targets for 2014/15. The financial performance indicators are monitored by members as part of the quarterly revenue and capital outturn reports to Cabinet (now Policy & Resources Committee). This ensures that any variances are identified and appropriate action is taken. 	Green
Strategic financial planning	<ul style="list-style-type: none"> The Council adopted a medium-term financial strategy covering both revenue and capital budgets up to 2019/20. The Council has taken account of our recommendation in last year's Audit Findings Report about maintaining an adequate level of reserves and explicitly earmarking a proportion of these. This issue was considered during the year by a number of committees and the Council concluded that, while balances are lower than it would wish, proper risk management ensures their adequacy. The Council has balanced its budget for 2015/16, identifying savings of £652k, and has recognised that it will need to find an additional £2,489k of savings in future years 2016/17 to 2019/20. This level of annual savings is becoming increasingly difficult to identify, and the Council is reliant on the success of its commercialisation strategy, to meet the current budget gap for 2016/17 and beyond. The LGA Financial Health check review identified the need to consider alternative options to bridging the gap currently anticipated in the latter years of its plans, and the Council is considering alternative methods of service delivery. Budget assumptions have been prudently made by assuming that the revenue support grant will have reduced to zero over the period, and reflecting the Commercialisation strategy, which sets a target of £1m in income contributions to Council services within five years, as well as reflecting the authority's objectives as identified in the Strategic Plan, and Economic Development Strategy A report was taken to Cabinet in September 2014 which sets out assumptions for minimum, maximum and recommended resource assumptions for the formulation of the Medium Term Financial Strategy. This shows evidence of scenario planning. 	Green

Value for Money

Theme	Summary findings	RAG rating
Financial governance	<ul style="list-style-type: none"> The Council has established sound financial governance arrangements and members are provided with regular financial updates, including quarterly to the cabinet. We note the risk refresh process planned for the coming year, with the first comprehensive risk register being compiled in November 2015, and recognise that the risks have been split between operational and strategic and take into consideration different risks from commercialisation. 	Green
Financial control	<ul style="list-style-type: none"> The Council has a strong recent track record on budgetary and financial control, as demonstrated by its achievement of budgets. The delivery of the annual capital programme remains an on-going challenge for the Council. The Council spent £4.427m on Capital Projects compared to an original estimate of £11.67m. As a result of unused resources carried forward to 2015/16 and other adjustments to the programme during the year the revised estimate was set at £5.561m and was reported to Cabinet in May 2014. 	Green
Prioritising resources 42	<ul style="list-style-type: none"> Whilst there were a few indicators which did not achieve the annual performance targets in Q4, none of these appear to be business critical. The Council has demonstrated a willingness to take on innovative and financially effective solutions to service delivery demonstrating a clear strategy and rationale for the use of its financial and other resources. 	Green
Improving efficiency & productivity	<ul style="list-style-type: none"> The Council understands its cost pressures and drivers and continues to identify means of achieving savings targets. The Joint task and Finish Group (JTFG) was established to review the governance and communication arrangements of the Mid Kent Improvement Partnership, therefore evidencing that processes are in place to monitor the effect, as well as challenge the results. A Mid Kent Services Director was appointed on a one year trial in 2014 to improve efficiency and communication and the role has been valued by the shared service group, however there is not sufficient budget to keep this role permanent. An assessment of the effectiveness of shared services has been delayed, and we would recommend the Council carries this out to determine whether they have had the intended effect on efficiency and service effectiveness. This is particularly important given the recent decision of one of the Council's partners to leave the shared planning support service. 	Green

Value for Money

To support our VfM conclusion against the specified criteria we performed a risk assessment against VfM risk indicators specified by the Audit Commission, and additional indicators identified by ourselves.

Following completion of our work we noted the following residual risks which we will consider as part of our planning for next year's work. These findings have not impacted on the overall green rating for the overall theme noted previously:

Residual risk identified	Summary findings	RAG rating
Budget setting & monitoring - revenue & capital (Financial Control)	The Council spent £4.427m on Capital Projects compared to an original estimate of £11.67m. This is a significant variance to the original budget. Slippage in capital programme may mean that resources are not being used to best effect. The Council should ensure greater scrutiny of the capital budget to ensure that this is achievable within the planned timeframe.	Amber
Focus of the MTFP (Strategic Financial Planning) 4.3	The Council has adopted two medium term financial strategies covering both revenue and capital budgets, including a 5 year strategic revenue projection up to 2019/20. The financial environment within local government is likely to remain challenging and become more so. Although the Council's projected financial position for the next 3-5 years appears to be sustainable, there is a risk from more extensive cuts to LG funding and further 'shocks' which may require alternative options to bridge the savings gap currently anticipated in the latter years of its plans. The LGA Financial Health check review identifies the need to consider alternative options to bridging the gap currently anticipated in the latter years of its plans. We would recommend Officers continue to explore different approaches, including more transformational approaches to providing services, to bridge the required savings gap in the latter stages of the existing MTFP.	Amber
Effectiveness of Key Services	<p>The Council has a number of services delivered by the Mid Kent Partnership. In June 2014, planning support service was added to the Partnership. On transition there were some issues, for example, with performance for processing planning applications, although these do appear to have been resolved. However there does not appear to be improved performance of the service, rather performance has returned back to the same levels as before the new shared service was put in place. It should be noted that one of the partners has now withdrawn from the planning support shared service, so Maidstone and its remaining partner should continue to monitor the effectiveness of this service, as there is a potential risk and impact to the service.</p> <p>The Council had also planned to undertake a savings review of the services being delivered through Mid Kent Partnership but this review has been delayed until 2015/16.</p>	Amber

Section 4: Fees, non-audit services and independence

01. Executive summary

02. Audit findings

03.  Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Fees, non-audit services and independence

We confirm below our final fees charged for the audit and confirm there were no fees for the provision of non audit services. Our work on certification is ongoing and we will confirm the final fee in our annual report on certification work at the conclusion of this work.

Fees

	Per Audit plan £	Actual fees £
Council audit	67,300	67,300
Grant certification	13,910	13,910
Total audit fees	81,210	81,210

4.5 Fees for other services

Service	Fees £
Non audit related services	Nil

Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standards and therefore we confirm that we 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 Auditing Practices Board's Ethical Standards.

Section 5: Communication of audit matters

01. Executive summary

02. Audit findings

03. Value for Money

04. Fees, non-audit services and independence

05. Communication of audit matters

Communication of audit matters to those charged with governance

International Standard on Auditing ISA (UK&) 260, as well as other (UK&I) ISAs, prescribe matters which we are required to communicate with those charged with governance, and which we set out in the table opposite.

The Audit Plan outlined our audit strategy and plan to deliver the audit, while this Audit Findings report presents the key issues and other matters arising from the audit, together with an explanation as to how these have been resolved.

Respective responsibilities

The Audit Findings Report has been prepared in the context of the Statement of Responsibilities of Auditors and Audited Bodies issued by the Audit Commission (www.audit-commission.gov.uk).

We have been appointed as the Council's independent external auditors by the Audit Commission, the body responsible for appointing external auditors to local public bodies in England. As external auditors, we have a broad remit covering finance and governance matters.

Our annual work programme is set in accordance with the Code of Audit Practice (the Code) issued by the Audit Commission and includes nationally prescribed and locally determined work. Our work considers the Council's key risks when reaching our conclusions under the Code.

It is the responsibility of the Council to ensure that proper arrangements are in place for the conduct of its business, and that public money is safeguarded and properly accounted for. We have considered how the Council is fulfilling these responsibilities.

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	✓	
Views about the qualitative aspects of the entity's accounting and financial reporting practices, significant matters and issues arising during the audit and written representations that have been sought		✓
Confirmation of independence and objectivity	✓	✓
A 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	✓	✓
Material weaknesses in internal control identified during the audit		✓
Identification or suspicion of fraud involving management and/or others which results in material misstatement of the financial statements		✓
Compliance with laws and regulations		✓
Expected auditor's report		✓
Uncorrected misstatements		✓
Significant matters arising in connection with related parties		✓
Significant matters in relation to going concern		✓

Appendices

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Appendix A: Action plan

Rec No.	Recommendation	Priority	Management response	Implementation date & responsibility
1	The Council should ensure a more robust process for prioritising and profiling capital projects and maintain greater scrutiny of the capital budget to ensure delivery of projects within the planned timeframe.	Medium	Officers are aware of the slippage in the capital programme and agree with the recommendation. This will be considered as part of medium term financial planning for 2016/17 onwards.	By 31 March 2016 Head of Finance & Resources
2	Continue to explore different approaches, including more transformational approaches to providing services, to bridge the required savings gap in the latter stages of the existing Medium Term Financial Strategy.	Medium	A list of proposals has been prepared and this encompasses a variety of different approaches to meeting the identified savings requirement over the next five years of the MTFS. The proposals will be subject to approval by service committees and ultimately full Council as part of 2016/17 budget setting.	By 31 March 2016 Head of Finance & Resources
3	Carry out a savings review of the services being delivered through Mid Kent Partnership including the impact of changes in the Planning Services.	Medium	This review is about to commence through the partnership board. A planning support disaggregation group has been established and is meeting regularly to ensure that changes to the planning support shared service are managed appropriately.	By 31 March 2016 Mid Kent Services Director

Appendix B: Audit opinion

We anticipate we will provide the Council with an unmodified audit report

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF MAIDSTONE BOROUGH COUNCIL

We have audited the financial statements of Maidstone Borough Council for the year ended 31 March 2015 under the Audit Commission Act 1998. The financial statements comprise the Movement in Reserves Statement, the Comprehensive Income and Expenditure Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund and the related notes. 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 2014/15.

This report is made solely to the members of Maidstone Borough Council, as a body, in accordance with Part II of the Audit Commission Act 1998 and as set out in paragraph 48 of the Statement of Responsibilities of Auditors and Audited Bodies published by the Audit Commission in March 2010. Our audit work has been undertaken so that we might state to the 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.

Respective responsibilities of the Head of Finance & Resources and auditor

As explained more fully in the Statement of the Head of Finance & Resources' Responsibilities, the Head of Finance & Resources 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 2014/15, and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards also require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Authority's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Head of Finance & Resources; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the explanatory foreword to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the financial position of Maidstone Borough Council as at 31 March 2015 and of its expenditure and income for the year then ended; and
- have been properly prepared in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 and applicable law.

Opinion on other matters

In our opinion, the information given in the explanatory foreword for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we report by exception

We are required to report to you if:

- in our opinion the annual governance statement does not reflect compliance with 'Delivering Good Governance in Local Government: a Framework' published by CIPFA/SOLACE in June 2007; or
- we issue a report in the public interest under section 8 of the Audit Commission Act 1998; or
- we designate under section 11 of the Audit Commission Act 1998 a recommendation as one that requires the Authority to consider it at a public meeting and to decide what action to take in response; or
- we exercise any other special powers of the auditor under the Audit Commission Act 1998.

We have nothing to report in these respects.

Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in the use of resources

Respective responsibilities of the Authority and the auditor

The Authority 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.

We are required under Section 5 of the Audit Commission Act 1998 to satisfy ourselves that the Authority made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. The Code of Audit Practice issued by the Audit Commission requires us to report to you our conclusion relating to proper arrangements, having regard to relevant criteria specified by the Audit Commission in October 2014.

We report if significant matters have come to our attention which prevent us from concluding that the Authority has put in place 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.

Scope of the review of arrangements for securing economy, efficiency and effectiveness in the use of resources

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criteria, published by the Audit Commission in October 2014, as to whether the Authority has proper arrangements for:
securing financial resilience; and
challenging how it secures economy, efficiency and effectiveness.

The Audit Commission has determined these two criteria as those necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to form a view on whether, in all significant respects, the Authority had put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

Conclusion

On the basis of our work, having regard to the guidance on the specified criteria published by the Audit Commission in October 2014, we are satisfied that, in all significant respects, Maidstone Borough Council put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2015.

Certificate

We certify that we have completed the audit of the financial statements of Maidstone Borough Council in accordance with the requirements of the Audit Commission Act 1998 and the Code of Audit Practice issued by the Audit Commission.

[Signature]

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor
Fleming Way
Manor Royal
Crawley
RH10 9GT
XX September 2015



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**Statement of Accounts for the year ending
31st March 2015**

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APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

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EXPLANATORY FOREWORD

Review of 2014/15 Financial Year

Statement of Accounts

The Council's accounts for the year 2014/15, covering the period 1st April 2014 to 31st March 2015, are set out on the following pages. They consist of:

1. The Primary Statements, consisting of the Movement in Reserves Statement, the Comprehensive Income & Expenditure Statement, the Balance Sheet and the Cash Flow Statement. The purpose of these statements is explained in more detail in the section following this foreword.
2. Notes to the Accounts – these provide more detailed analysis and information on significant balances and movements within the statements listed above.
3. The Collection Fund - shows the transactions of the Council in relation to Non Domestic Rates, Council Tax and residual Community Charge. It illustrates the way in which these have been distributed to Preceptors and the General Fund.

All the figures in the above sections have been rounded to the nearest £1000.

This Statement has been produced in accordance with the requirements of the Code of Practice on Local Authority Accounting for 2014/15, which requires the Statement to comply with International Financial Reporting Standards (IFRS), as adapted for the public sector.

These accounts are preceded by the Explanation of the Purpose of the Primary Statements and the Statement of Responsibilities.

In line with the Accounts & Audit Regulations 2011, the Statement of Accounts is now required to be signed off by the Responsible Financial Officer by 30th June, with the approval of the Audit, Governance & Standards Committee to be given by 30th September.

There were no significant changes to the accounting requirements for 2014/15.

The Council's financial year runs from 1st April to 31st March. A summary of the Balance Sheet as at 31st March 2015 is shown below:

2013/14		2014/15
£000		£000
59,815	Property, Plant & Equipment	56,326
10,363	Heritage Assets	10,384
12,727	Investment Properties	15,962
581	Other Long Term Assets	5,455
30,056	Money owed to the Council	24,915
(14,393)	Money owed by the Council	(13,737)
(58,327)	Long Term Liabilities	(72,038)
40,822	Net Assets	27,267
16,392	Usable Reserves	15,546
24,430	Unusable Reserves	11,721
40,822	Total Reserves	27,267

The major movements in the Balance Sheet can be summarised as follows:

- Long Term Liabilities have increased by £14.5m as a consequence of an increase in the pensions liability following the annual assessment of the fund by actuaries acting on behalf of Kent County Council. There is a corresponding reduction in Unusable Reserves
- The value of Investment Properties has increased by £5.7m. This is due to the annual revaluation and the acquisition of Phoenix Park Industrial Units. The reduction in Property, Plant & Equipment is also due to the annual revaluation, as the values of a number of Pay & Display Car Parks were reduced.
- During 2014/15 the Council entered into a Business Rates Pooling arrangement with Kent County Council. The year-end debtors and creditors balances reflect the balances due to be settled between the two Councils.
- The increase in Other Long-Term Assets reflects £5m surplus cash invested for a period greater the one year.

Comprehensive Income & Expenditure Statement

The Comprehensive Income & Expenditure Statement summarises the cost of all General Fund services provided by the Council. The table below summarises the original budget, revised budget and funding:

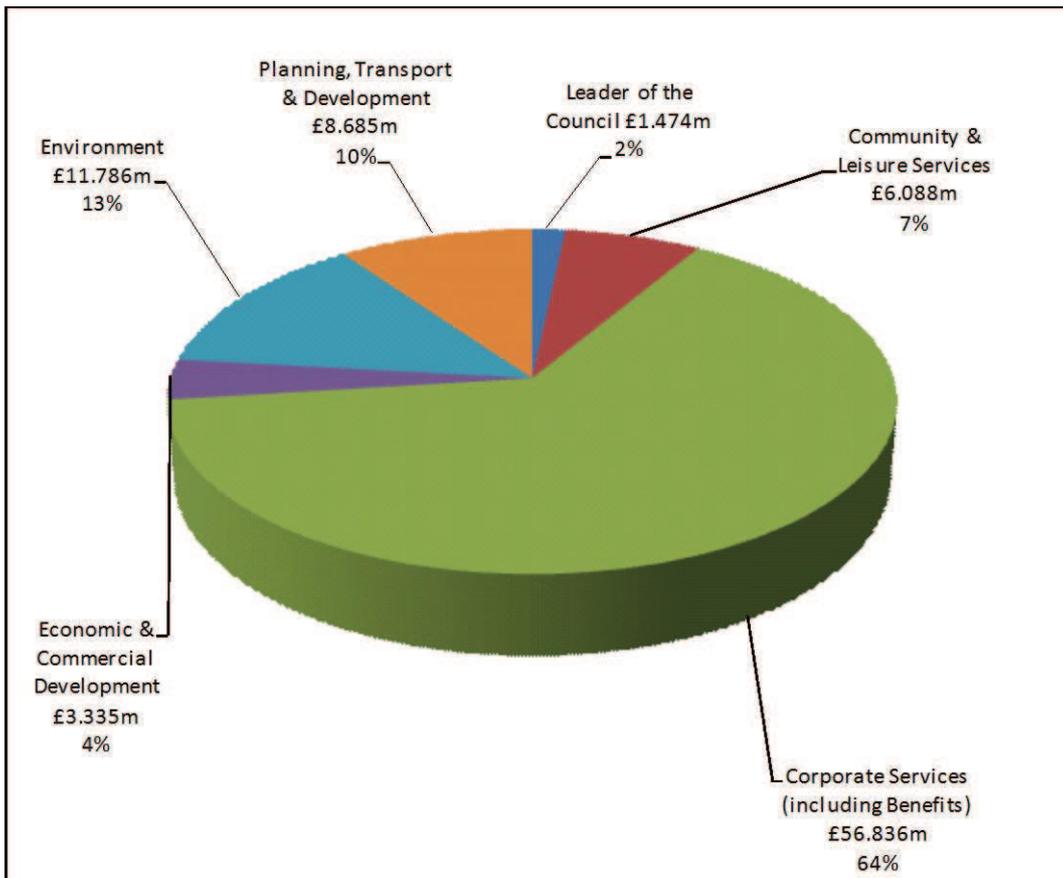
Portfolio	Original Estimate £000	Revised Estimate £000	Actual £000	Variance to Revised £000
Leader of the Council	1,107	1,535	1,067	(468)
Community & Leisure Services	2,224	4,971	4,938	(33)
Corporate Services	9,348	583	826	243
Economic & Commercial Development	1,396	2,594	2,674	80
Environment	5,531	8,097	8,367	270
Planning, Transport & Development	(389)	3,232	2,986	(246)
Contribution to/(from) Balances	(100)	(1,895)	(1,401)	494
Net Service Spending	19,117	19,117	19,457	340
Parish Precepts	1,288	1,288	1,288	0
Net Expenditure	20,405	20,405	20,745	340
Funded by:				
Council Tax	14,155	14,155	14,155	0
Revenue Support Grant	3,275	3,275	3,275	0
Retained Business Rates	2,903	2,903	2,903	0
Collection Fund Surplus	72	72	72	0
Total Funding	20,405	20,405	20,405	0

The figures in this table will differ from those shown in note 10 (Amounts Reported for Resource Allocation Decisions) as that note only covers the net cost of services as shown in the Comprehensive Income & Expenditure Report, whereas the table above includes figures that are not included within the net cost of services.

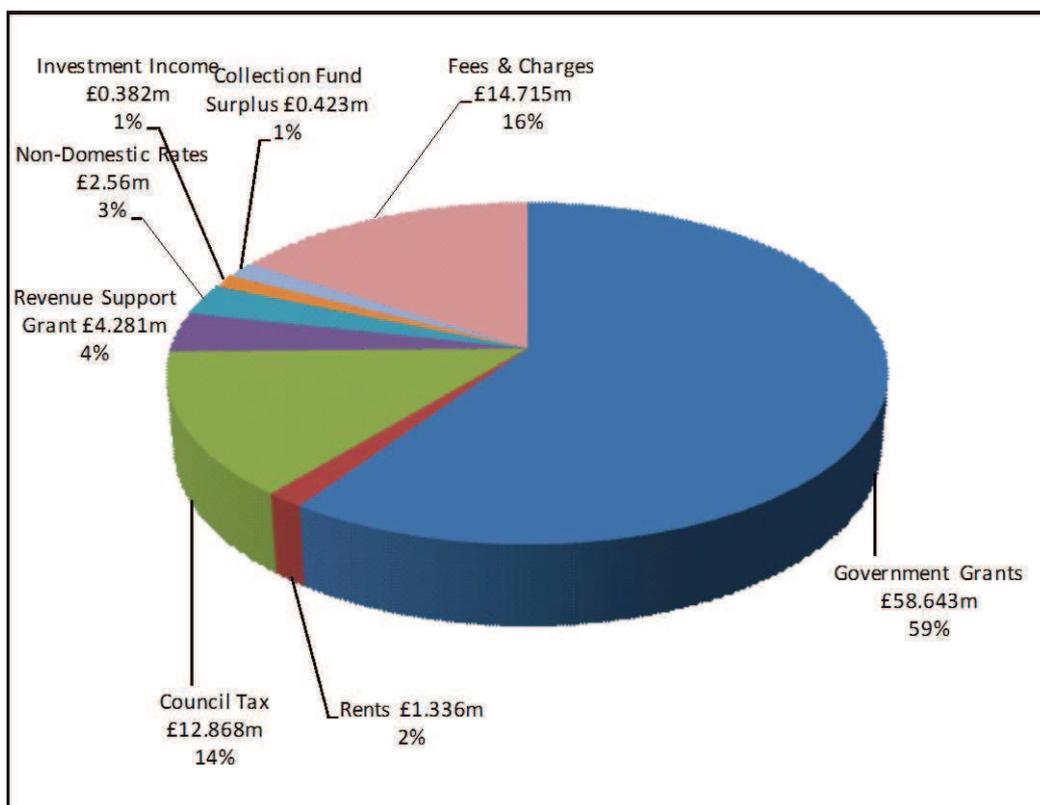
Expenditure & Income - The pie charts shown on the following page illustrate in broad terms where the Council's money comes from and the services that it provides.

19% of the Council's income came from the services it provided through rents, fees and charges and interest. The largest single source of income was Specific Government Grants, such as Rent Allowances and Housing Subsidy, which provide 63% of the total.

Spending – Where it Went



Income – Where it Came From



Capital Expenditure & Income

The Council spent £4.472m on Capital Projects compared to an original estimate of £11.673m. As a result of unused resources carried forward to 2015/16 and other adjustments to the programme during the year the revised estimate was set at £5.561m. Significant elements of the capital spending were the acquisition of the Phoenix Park Industrial Units (£2.422m), Housing Grants (£0.739m) and the purchase of Magnolia House (£0.328m).

A summary of capital expenditure is shown below:

	Original Estimate	Revised Estimate	Actual	Variance to Revised
	£000	£000	£000	£000
Planning, Transport & Development	2,211	0	0	0
Community & Leisure Services	3,925	2,591	1,591	1,000
Corporate Services	350	429	429	(0)
Economic & Commercial Development	5,187	2,512	2,421	91
Environment	0	30	301	(271)
Total	11,673	5,562	4,742	820

The variance on Community & Leisure Services relates to Housing Grants and Social Housing Grants. The variance on Environment relates to the acquisition of fleet vehicles, however funding was in place for this from the sale of old vehicles and monies set-aside in previous years.

Capital expenditure was funded as follows:

	£000
Revenue Support	2,923
Disposal of Assets - Current & Previous Years	1,156
Other Grants & Contributions	662
Total	4,741

The above figures exclude schemes funded from Section 106 contributions and schemes relating to Cobtree Manor Park.

Borrowing & Investments

The Council has adopted the requirements of the CIPFA Prudential Code for Capital Finance. This has given individual authorities responsibility for deciding their own level of affordable borrowing, based on the guidelines laid out in the Code. However, there was no long-term borrowing during 2014/15, as there were sufficient resources available to fund the programme.

Investment income, which historically has been quite high, has now fallen to lower levels, with interest of £0.209m being generated in 2014/15. (The figure for 2013/14 was £0.231m). This is a reflection of the current low level of interest rates, along with the lower level of resources available for investment. The level of capital receipts has continued to fall as they are used to fund the capital

programme, and the Council currently has no significant surplus assets for disposal.

Collection Fund

The Council is a Billing Authority, meaning it is responsible for collecting and paying over Council Tax contributions on behalf of Kent County Council, Kent Police & Crime Commissioner, Kent and Medway Towns Fire Authority, and the Parish Councils within the Borough area. The Council operates a Collection Fund into which it pays all income collected from the Council Tax and National Non-Domestic Rates. The budgeted demands on the Fund at the start of 2014/15 totalling £85.544m were as follows:

Authority	£000
Maidstone Borough Council	14,155
Kent County Council	59,498
Kent Police & Crime Commissioner	8,033
Kent & Medway Towns Fire & Rescue Authority	3,858
Total	85,544

The Band D level of Council Tax in 2014/15 was £1,536.39, which breaks down as follows:

Authority	£.p
Maidstone Borough Council	254.25
Kent County Council	1,068.66
Kent Police & Crime Commissioner	144.28
Kent & Medway Towns Fire & Rescue Authority	69.30
Total	1,536.49

This level of Council Tax related to a property in Band D and by the application of statutory multipliers the corresponding amount was charged to all properties in Bands A-H.

One element of the Business Rates Retention (BRR) scheme that came into force on 1st April 2013 is the option for local authorities to develop a Business Rates Pool and effectively opt out of the national arrangements. By opting out of the national arrangements in this way, the local authorities in the pool will increase the gain made locally from growth in business rates. For 2014/15 the Council entered into a Business Rates Pooling Arrangement with Kent County Council.

Pensions

Note 34 to the Balance Sheet refers to the Disclosure of Net Pension Assets and Liabilities. Under the requirements of IAS 19 (International Accounting Standard) on Retirement Benefits these figures are reflected in the Council's Balance Sheet and Comprehensive Income & Expenditure Statement. The latest

actuarial valuation carried out on behalf of the Kent County Council Pension Fund shows a significant movement in the liability related to the pension scheme, from £56.476m in 2013/14 to £70.903m in 2014/15.

Other Comments

No post balance sheet events were identified during the preparation of the Statement.

Future Developments

The on-going economic situation will continue to have a significant effect on the financial position of the Council in 2015/16. With continuing uncertainty over new capital receipts, existing receipts will need to be used to fund the capital programme, which in turn will further reduce sums available to invest.

There is also the likelihood of further pressures arising from the Government's commitment to reduce the national budget deficit. Cuts to central government funding have meant that substantial budget reductions will continue to be made over the next few years.

The Council will continue to explore ways of reducing its costs through efficiency savings, commercial initiatives, shared services and partnership working. There is a formal arrangement with Swale and Tunbridge Wells Borough Councils in the form of the Mid-Kent Improvement Partnership (MKIP), and a number of partnership arrangements are now established covering Internal Audit, Licensing, Revenues & Benefits, ICT Services, Environmental Health, Human Resources & Payroll and Legal Services.

The Council has also developed a strategy for commercialisation with a view to exploring new ways of generating income from various sources. The first area that has been developed is a commercial waste venture for local small and medium businesses and work is currently being undertaken around cultural and leisure activities.

In May 2015 the Council changed its governance arrangements to a committee system which replaces the Cabinet model and portfolios reflected on page 5 and in note 10. Internal financial reporting and the financial statements will therefore be based on the new system from 2015/16 and subsequent periods.

Authorised for Publication

This Statement was authorised for publication on 30th June 2015, the date it was signed by the Director of Regeneration & Communities as presenting a true and fair view of the financial affairs of the Council for 2014/15.

EXPLANATION OF THE PURPOSE OF THE PRIMARY STATEMENTS

Movement in Reserves Statement

This shows the movement in the year 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 reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income & Expenditure Statement

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowers) to the Council.

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 Regeneration & Communities.
- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.
- Approve the Statement of Accounts.

The Director of Regeneration & Communities' Responsibilities

The Director of Regeneration & Communities 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 Regeneration & Communities 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 Regeneration & Communities 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 2015.

Signed:

Paul Riley, Head of Finance & Resources

Date: 21st September 2015

PRIMARY STATEMENTS

MOVEMENT IN RESERVES STATEMENT For the years ended 31st March 2014 & 2015

2013/14 figures have been restated to reflect the creation of earmarked reserves for amounts previously shown as part of the general fund balance. Further detail is provided in note 32.

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2014	15,441	187	764	16,392	24,430	40,822
Movement in Reserves during 2014/15						
Surplus or Deficit on the Provision of Services	(1,824)			(1,824)		(1,824)
Other Comprehensive Income and Expenditure			0	0	(11,731)	(11,731)
Total Comprehensive Income and Expenditure	(1,824)	0	0	(1,824)	(11,731)	(13,555)
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	1,676	(33)	(665)	978	(978)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	1,676	(33)	(665)	978	(978)	0
Transfers to/from Earmarked Reserves	0	0	0	0	0	0
Increase or Decrease in Year	(148)	(33)	(665)	(846)	(12,709)	(13,555)
Balance at 31st March 2015	15,293	154	99	15,546	11,721	27,267

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2013	12,583	1,043	649	14,275	33,382	47,657
Movement in Reserves during 2013/14						
Surplus or Deficit on the Provision of Services	(1,833)			(1,833)		(1,833)
Other Comprehensive Income and Expenditure					(5,002)	(5,002)
Total Comprehensive Income and Expenditure	(1,833)			(1,833)	(5,002)	(6,836)
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	4,691	(856)	115	3,950	(3,950)	
Increase or Decrease in Year	2,857	(856)	115	2,116	(8,952)	(6,836)
Balance at 31st March 2014	15,441	187	764	16,392	24,430	40,822

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ended 31st March 2014 & 2015

2013/14			2014/15			
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
14,623	(12,757)	1,866	Central services to the public	7,635	(4,322)	3,313
10,189	(4,254)	5,935	Cultural & Related Services	7,598	(2,425)	5,173
12,264	(5,672)	6,592	Environment & Regulatory Services	9,674	(3,458)	6,216
7,049	(4,006)	3,043	Planning Services	5,521	(2,663)	2,858
5,040	(5,461)	(421)	Highways and transport services	4,504	(3,605)	899
51,929	(49,538)	2,391	Other housing services	51,664	(48,177)	3,487
2,421	(308)	2,114	Corporate and democratic core	2,194	(41)	2,153
1,859	0	1,859	Non distributed costs	910		910
105,375	(81,997)	23,379	Cost Of Services	89,700	(64,691)	25,009
1,292	(192)	1,100	Other Operating Expenditure (Note 7)			276
2,458	(231)	2,227	Financing and Investment Income and Expenditure (Note 8)			1,158
	(24,874)	(24,874)	Taxation and Non-Specific Grant Income and Expenditure (Note 9)			(24,619)
		1,832	(Surplus) or Deficit on Provision of Services			1,824
		(572)	Surplus or deficit on revaluation of non current assets			(256)
		5,574	Remeasurement of the Net Defined Benefit Liability			11,987
		5,002	Other Comprehensive Income and Expenditure			11,731
		6,835	Total Comprehensive Income and Expenditure			13,555

BALANCE SHEET

As at 31st March 2014 & 2015

31st March 2014 £000		Notes	31st March 2015 £000
59,815	Property, Plant & Equipment	17	56,326
12,727	Investment Property	18	15,962
10,363	Heritage Assets	19	10,384
545	Intangible Assets		416
11	Long Term Investments	21	5,011
26	Long Term Debtors		28
83,487	Long Term Assets		88,127
5,029	Short Term Investments	21	8,000
93	Inventories		87
6,476	Short Term Debtors	23	8,564
15,530	Cash & Cash Equivalents	24	8,264
27,128	Current Assets		24,915
8,344	Short Term Creditors	25	10,039
1,151	Provision for Business Rate Appeals	26	1,068
604	Deferred Liability	28	457
1,367	Capital Grants Receipts in Advance	15	2,173
11,465	Current Liabilities		13,737
180	Provisions		181
1,671	Deferred Liability	28	1,177
56,476	Other Long Term Liabilities	33	70,680
58,327	Long Term Liabilities		72,038
40,822	Net Assets		27,267
16,392	Usable Reserves		15,546
24,430	Unusable Reserves	31	11,721
40,822	Total Reserves		27,267

CASHFLOW STATEMENT

2013/14 £000		Notes	2014/15 £000
1,833	Net (surplus) or deficit on the provision of services		1,824
(12,409)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	(3,117)
3,537	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	39	2,417
(7,040)	Net cash flows from Operating activities		1,124
(2,988)	Investing Activities	41	9,082
950	Financing Activities	42	(2,939)
(9,078)	Net increase or decrease in cash & cash equivalents		7,266
(6,452)	Cash & cash equivalents at the beginning of the reporting period		(15,530)
(15,530)	Cash & cash equivalents at the end of the reporting period		(8,264)

NOTES TO THE ACCOUNTS

1 - ACCOUNTING POLICIES

a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2011 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2014/15 and the Service Reporting Code of Practice 2014/15, supported by International Financial Reporting Standards (IFRS).

The financial information contained in the accounts has the following qualitative characteristics, as laid out in the Code of Practice on Local Authority Accounting:

- Relevance;
- Faithful Representation;
- Comparability;
- Verifiability;
- Timeliness; and
- Understandability

In addition, the following accounting concepts have been given precedence in the preparation of the accounts:

- Going concern
- Primary 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.

b) ACCRUALS OF INCOME & EXPENDITURE

Activity is accounted for in the year that it takes place, not simply when cash payments are made or received. In particular:

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- 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.

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

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

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

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

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

c) 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.

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.

d) EXCEPTIONAL ITEMS

When items of income and expense are material, their nature and amount is disclosed separately, either on the face of the Comprehensive Income & Expenditure Statement or in the notes to the accounts, depending on how significant the items are to an understanding of the Council's financial performance.

e) 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.

f) 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.

g) 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.

Termination Benefits

Termination benefits are amounts payable as a result of a decision by the Council to terminate an officer's employment before the normal retirement date or an officer's decision to accept voluntary redundancy and are charged on an accruals basis to the Non Distributed Costs line in the Comprehensive Income & Expenditure Statement when the Council is demonstrably committed to the termination of an officer or a group of officers or making an offer or making an offer to encourage voluntary redundancy.

Where termination benefits involve the enhancement of pensions, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund or pensioner in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, appropriations are required to and from the Pensions Reserve to remove the notional debits and credits for pension enhancement termination benefits and replace them with debits for the cash paid to the pension fund and pensioners and any such amounts payable but unpaid at the year-end.

Post Employee 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 as part on Non Distributed Costs.
 - 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 next formal valuation is due on 31st March 2016. The outcome of the 2013 valuation took effect from 1st April 2014.

The adoption of the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits introduced new 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. The changes became effective for periods beginning on or after 1st January 2013 and were reflected in the 2013/14 financial statements.

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.

h) 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.

i) 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:

There are two types of financial asset which the Council holds. These are:

- Loans & Receivables – non derivative financial assets that have fixed or determinable payments but are not quoted on an open market.
- Available-for-sale assets – non derivative assets that are not classified as a) loans and receivables, b) held-to-maturity investments or c) financial assets at fair value through profit or loss.

Loans & Receivables:

Loans & Receivables 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. They are subsequently measured at their amortised cost. Annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement 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 loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income & Expenditure Statement is the amount receivable for the year in the loan agreement.

Available-for-sale assets:

Available for sale assets 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. They are subsequently measured at fair value through determining their value through an active market. The gain or loss arising from a change in the fair value of an available-for-sale financial asset shall be recognised in Other Comprehensive Income and Expenditure and taken to the Available-for-Sale Reserve.

j) GOVERNMENT GRANTS & CONTRIBUTIONS

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

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

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

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

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

k) HERITAGE ASSETS

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

The Council's Heritage Assets fall into the following main categories:

- Museum Exhibits
- War Memorials
- Statues, Sculptures and other works of art
- Listed Buildings

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) 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.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

I) 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 amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income & Expenditure line in the Comprehensive Income & 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.

m) 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.

n) OVERHEADS & SUPPORT SERVICES

The costs of support services and overheads are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2014/15. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion with the benefits used, with the exception of:

- Corporate & Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation.

- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses on assets held for sale.

These two cost categories are defined in the Service Expenditure Reporting Code of Practice 2014/15 and accounted for as separate headings in the Comprehensive Income & Expenditure Statement, as part of Net Expenditure on Continuing Services.

o) 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

All 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 direct 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 – fair 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 that 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 fair 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.

Component Accounting

International Accounting Standard 16 (IAS16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and de-recognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1st April 2010.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation.

The policy adopted is as follows:

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be group together for depreciation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Only assets with a gross book value of £1.5 million and over will be considered for componentisation.
- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of 25% in relation to the overall value of the asset or over £500,000 will be considered and then only if the

component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.

- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer. The useful lives range from 5 to 100 years.
- Vehicles, Plant, Furniture & Equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.
- Infrastructure - straight-line allocation over 20 years.

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

p) DEFERRED LIABILITIES

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.

q) PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

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 charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation, and 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 financial 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 service.

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.

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

r) 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. In prior years these resources have formed part of general fund balances. The impact of this change is reflected on the 2013/14 Movement in Reserves statement and in note 32.

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.

s) 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.

t) 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.

u) MINIMUM REVENUE PROVISION

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

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

v) ACCOUNTING PRACTICE FOR COUNCIL TAX AND 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 rates 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 rates 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 the 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.

2 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In applying the accounting policies set out in Note 1, 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 has been undertaken to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.
- The value of the Council's Property, Plant and Equipment is reviewed at year-end to ensure that it is materially correct. Formal valuations are undertaken for a proportion of the assets on an annual basis, and a review of the remainder of the portfolio is undertaken to determine whether or not there may have been any material changes.
- A further review of service contracts was also undertaken in accordance with the requirements of IFRIC 4 to determine whether any of the contractual arrangements contain the substance of a finance lease. It was determined that the park & ride contract was classified as containing finance leases for the vehicles involved in the delivery of the service, and these have now been included with Property, Plant & Equipment on the Balance Sheet.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service

concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.

- A review of the Council's property portfolio has been undertaken to determine which assets should be classified as Investment Properties. These are those assets held solely to generate rental income or which are held for capital appreciation. A number of assets were classified under this heading, which is shown on the face of the Balance Sheet.
- A review was undertaken to identify what assets the Council owns could potentially be classified as Heritage Assets. Once a list had been established it was determined which of these met the criteria to be classified as a Heritage Asset, and a further judgement was required to determine the appropriate basis for valuation, or whether details of the asset should be disclosed in the note only.
- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication of the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

3 - 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 Balance Sheet at 31st March 2015 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Property, Plant & Equipment

Uncertainties:

Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.

Effect if actual results differ from assumptions:

If the useful life of assets is reduced the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.571m for every year that useful lives had to be reduced.

Pensions Liability

Uncertainties:

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions:

The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £1.395m. However, the assumptions interact in complex ways. A one year increase in the mortality age rating assumption would result in an increase to the pension liability of £7.995m.

Arrears

Uncertainties:

At 31st March 2015 the Council had a balance of sundry debtors for £11.219m. A review of significant balances suggested that a provision of doubtful debts for £2.889m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Effect if actual results differ from assumptions:

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.4m to set aside as an allowance.

Non-Domestic Rates Appeals

Following the localisation of non-domestic rates which took effect from 1 April 2013, the Collection Fund became liable for potential losses arising from appeals against the rateable value of business premises. A provision of £2.671m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £1.068m 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 proportion of successful appeals were to increase by 10%, an additional provision of £0.7m would be required overall, and the council's share of the provision would increase by £0.3m.

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2015 for

2015/16). Disclosure requirements are expected to be included in a subsequent edition of the Code.

- IFRS 13 – Fair Value Measurement
- Annual Improvements to IFRSs (2011-2013 cycle)
- IFRC 21 Levies

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

5 - 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.

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2013/14 Movement in Unusable Reserves £000		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2014/15 Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:								
2,441			2,441	Charges for depreciation and impairment of non-current assets	2,797			2,797
378			378	Revaluation (gains)/losses on Property, Plant & Equipment	1,963			1,963
(161)			(161)	Movement in the market value of Investment Properties	(737)			(737)
280			280	Amortisation of intangible assets	231			231
(1,549)			(1,549)	Capital grants and contributions applied	(619)		(702)	(1,321)
3,333			3,333	Revenue expenditure funded from capital expenditure under statute	1,619			1,619
104			104	Write-off Non-enhancing Capital Expenditure	163			163
1,460			1,460	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,126)			(1,126)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement								
(578)			(578)	Statutory provision for the financing of capital investment	(640)			(640)
(1,697)			(1,697)	Capital expenditure charged against the General Fund balance	(2,923)			(2,923)
Adjustments primarily involving the Capital Grants Unapplied Account								
(115)		115	0	Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(37)		37	0
Adjustments primarily involving the Capital Receipts Reserve								
(1,651)	1,651		0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1	1,123		1,124
	(2,507)		(2,507)	Use of the Capital Receipts Reserve to finance new capital expenditure		(1,156)		(1,156)
Adjustments primarily involving the Pensions Reserve								
4,936			4,936	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	5,417			5,417
(3,019)			(3,019)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,200)			(3,200)
Adjustments primarily involving the Collection Fund Adjustment Account								
486			486	Amount by which council tax and business rates income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(1,152)			(1,152)
Adjustments primarily involving the Financial Instruments Adjustment Account								
				Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(84)			(84)
Adjustments primarily involving the Accumulated Absences Account								
42			42	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3			3
4,691	(856)	115	3,950	Total Adjustments	1,676	(33)	(665)	978

6 - MATERIAL ITEMS OF INCOME & EXPENSE

There are no material items of income and expenditure that are not detailed in the notes below.

7 - OTHER OPERATING EXPENDITURE

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

	2013/14	2014/15
	£000	£000
Parish Council precepts	1,188	1,288
Levies	105	106
Gains/losses on the disposal of non-current assets	(192)	(1,118)
	1,101	276

8 - 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.

	2013/14	2014/15
	£000	£000
Interest payable and similar charges	235	210
Net Interest on the Net Defined Benefit Liability	2,044	2,418
Interest receivable and similar income	(231)	(209)
Income & Expenditure in relation to investment properties and changes in their fair value	180	(1,261)
	2,228	1,158

9 - TAXATION & NON-SPECIFIC GRANT INCOMES

This note consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. However, all capital grants and contributions are shown in this note, whether they are service specific or not.

	2013/14	2014/15
	£000	£000
Council tax income	13,955	14,647
Revenue Support Grant	4,281	3,275
Income from Retained Business Rates	21,244	22,427
Tariff Payable	(18,760)	(19,125)
Levy Payable	0	(510)
Non-ringfenced Government Grants	4,154	3,905
	24,874	24,619

Levy payable comprises the amount paid to central government for 2013/14 (£366k) and the levy due to KCC in respect of 2014/15 business rates growth under the pooling arrangement (£144,000).

An adjustment of -£0.702m has been made to the capital grants and contributions line to correct amounts which had been incorrectly classified in the previous period. Actual capital grants and contributions credited to taxation and non-specific grant income totalled £1.358m for 2014/15.

10 - AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income & Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council's Cabinet on the basis of budget reports analysed across Cabinet Member portfolios.

The income and expenditure of the individual Member portfolios recorded in budget reports is as follows:

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

Portfolio Holder Income & Expenditure 2014/15	Leader of the Council £000	Community & Leisure £000	Corporate Services £000	Economic & Commercial Development £000	Environment £000	Planning, Transport & Development £000	Total £000
Fees, charges & other service income	(187)	(1,149)	(3,109)	(742)	(3,688)	(6,072)	(14,947)
Government Grants	(269)	(66)	(47,355)	0	0	(65)	(47,755)
Total income	(456)	(1,215)	(50,464)	(742)	(3,688)	(6,137)	(62,702)
Employee expenses	635	796	7,884	1,108	4,645	2,897	17,965
Other service expenses	461	6,084	54,367	2,291	9,987	5,570	78,760
Support service recharges	427	(716)	(6,809)	17	(2,588)	655	(9,014)
Total expenditure	1,523	6,164	55,442	3,416	12,044	9,122	87,711
Net Expenditure	1,067	4,949	4,978	2,674	8,356	2,985	25,009

Portfolio Holder Income & Expenditure 2013/14	Leader of the Council £000	Community & Leisure £000	Corporate Services £000	Economic Development & Transport £000	Environment £000	Planning, Transport & Development £000	Total £000
Fees, charges & other service income	(165)	(1,384)	(2,364)	(985)	(3,292)	(5,253)	(13,443)
Government Grants	(264)	(121)	(46,943)	0	0	0	(47,328)
Total income	(429)	(1,505)	(49,306)	(985)	(3,292)	(5,253)	(60,771)
Employee expenses	526	1,404	10,396	1,231	3,754	1,881	19,192
Other service expenses	421	6,459	52,238	3,456	7,964	3,389	73,926
Support service recharges	447	738	(9,198)	456	(2,473)	1,061	(8,968)
Total expenditure	1,394	8,601	53,436	5,143	9,244	6,331	84,151
Net Expenditure	965	7,096	4,130	4,159	5,952	1,078	23,379

Reconciliation of Portfolio Holder Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

This reconciliation shows how the figures in the analysis of portfolio holder income and expenditure relate to the amounts included in the Comprehensive Income & Expenditure Statement.

	2013/14 £000	2014/15 £000
Net Expenditure in Portfolio Analysis	23,379	25,009
Amounts reported below the line on the Net Cost of Services	0	0
Cost of services in Comprehensive Income & Expenditure Statement	23,379	25,009

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio holder income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income & Expenditure Statement.

2014/15	Portfolio holder analysis £000	Below the line on Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(14,947)		(14,947)		(14,947)
Interest & investment income			0	(209)	(209)
Income from council tax			0	(14,155)	(14,155)
Government grants and contributions	(47,755)		(47,755)	(11,165)	(58,920)
Total Income	(62,702)	0	(62,702)	(25,529)	(88,231)
Employee expenses	17,964		17,964	2,417	20,381
Other service expenses	78,760		78,760	(559)	78,201
Support Service recharges	(9,014)		(9,014)		(9,014)
Interest Payments			0	210	210
Precepts & Levies			0	1,395	1,395
Gain or Loss on Disposal of Fixed Assets			0	(1,118)	(1,118)
Total Expenditure	87,710	0	87,710	2,345	90,055
Surplus or deficit on the provision of services	25,009	0	25,009	(23,183)	1,824

2013/14	Portfolio holder analysis £000	Below the line on Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(13,443)		(13,443)		(13,443)
Interest & investment income			0	(231)	(231)
Income from council tax			0	(13,955)	(13,955)
Government grants and contributions	(47,328)		(47,328)	(10,917)	(58,245)
Total Income	(60,771)	0	(60,771)	(25,104)	(85,875)
Employee expenses	19,192		19,192	2,044	21,236
Other service expenses	73,927		73,927	180	74,107
Support Service recharges	(8,969)		(8,969)		(8,969)
Depreciation, amortisation and impairment			0		0
Interest Payments			0	235	235
Precepts & Levies			0	1,293	1,293
Payments to Housing Capital Receipts Pool			0		0
Gain or Loss on Disposal of Fixed Assets			0	(192)	(192)
Total Expenditure	84,151	0	84,151	3,560	87,709
Surplus or deficit on the provision of services	23,379	0	23,379	(21,543)	1,836

11 - TRADING OPERATIONS

The Council has established 5 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

Operation	2013/14	2014/15		(Surplus)/ Deficit £000
	(Surplus)/ Deficit £000	Income £000	Expenditure £000	
Market	13	(342)	392	50
Parkwood Industrial Estate	(362)	(393)	29	(364)
Pay & Display Car Parking	(1,000)	(1,637)	459	(1,178)
On-Street Car Parking	(171)	(670)	464	(206)
Direct Services	(20)	(1,996)	2,062	66
Net (Surplus)/Deficit	(1,540)	(5,038)	3,406	(1,632)

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2014/15 totalled £384,382. (£386,569 in 2013/14)

The Council also produce 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/council/councillors/councillor-allowances>

13 – OFFICERS REMUNERATION

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

2014/15	Salary (including Fees & Allowances) £000	Benefits in Kind (e.g.Car Allowance) £000	Total Remuneration excluding Pension Contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Executive	112	3	115	15	130
Director of Environment & Shared Services	99	3	102	13	115
Director of Regeneration & Communities	98	3	101	13	114
Head of Planning & Development	68	7	75	10	85
Head of Policy & Communications	68	3	71	9	80

2013/14	Salary (including Fees & Allowances) £000	Benefits in Kind (e.g.Car Allowance) £000	Total Remuneration excluding Pension Contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Executive	112	17	129	15	144
Director of Environment & Shared Services	98	11	109	13	122
Director of Regeneration & Communities	98	8	106	13	119
Head of Mid Kent Human Resources	78	5	83	10	93
Head of Audit & Risk Strategy	69	2	71	10	81
Head of Legal Services	66	4	70	8	78
Head of Planning & Development	64	7	71	8	79
Head of Finance & Resources	66	3	69	9	78
Head of Policy & Communications	61	6	67	8	75

Senior Officers are defined as those who sit on the Corporate Leadership Team, and those who report directly to the Chief Executive and receive more than £50,000 remuneration for the year.

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 Band	2013/14 No.of employees	2014/15 No.of employees
£50,000 - £54,999	2	4
£55,000 - £59,999	3	1
£60,000 - £64,999	2	3
£65,000 - £69,999	2	4
£70,000 - £74,999	2	2
£75,000 - £79,999	1	1
£80,000 - £84,999	2	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14 £000	2014/15 £000
£0 - £20,000	0	0	11	8	11	8	83	81
£20,001 - £40,000	0	0	0	1	0	1	0	25
£40,001 - £60,000	0	0	1	0	1	0	45	0
£60,001 - £80,000	0	0	0	1	0	1	0	65
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	0	1	0	119	0
Total	0	0	13	10	13	10	247	171

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.

	2013/14 £000	2014/15 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	71	67
Fees payable for the certification of grant claims and returns during the year	18	14
Total	89	81

15 - GRANT INCOME

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2014/15:

Credited to Taxation & Non Specific Grant Income	2013/14 £000	2014/15 £000
Council tax income	13,955	14,647
Revenue Support Grant	4,281	3,275
Income from Retained Business Rates	21,244	22,427
Tarrif Payable	(18,760)	(19,125)
Levy Payable	0	(510)
Non-ringfenced Government Grants	4,154	3,905
Total	24,874	24,619
Credited to Services		
Housing Benefit Subsidy	46,219	46,871
Non-Domestic Rates - Cost of Collection	207	208
Council Tax Administration	382	175
New Legislation	245	250
Small Business Rate Relief	0	534
Retail Relief	0	174
Flood Relief	120	10
Other Grants	156	564
Total	47,329	48,786

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 giver. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	31st March 2014 £000	31st March 2015 £000
Section 106 Contributions	1,313	1,861
Other Contributions	53	312
Total	1,366	2,173

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, provides the majority of its funding in the form of grants 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 10 on reporting for resources allocation decisions.

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 2014/15 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. Only one Member made a declaration of significance, who is the Managing Director of a stonemasons company that had transactions to the value of £22,640 with the Council.

17 - PROPERTY, PLANT & EQUIPMENT

Movements on Balances

Movements in 2014/15	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 2014	3,997	45,112	11,998	1,239	4,283	3,080	1,261	70,970
Additions	4	612	158	284	88	12	22	1,179
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(307)	0	0	0	0	0	(307)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,963)	0	0	0	0	0	(1,963)
Transfers between categories	0	1,250	0	0	0	0	(1,250)	0
Other movements in cost or valuation	(4)	(150)	0	0	0	0	(10)	(164)
At 31st March 2015	3,997	44,553	12,156	1,523	4,371	3,092	23	69,715
Accumulated Depreciation & Impairment								
At 1st April 2014	(2,435)	(1,594)	(4,150)	(927)	(2,049)	0	0	(11,155)
Depreciation charge	(201)	(1,312)	(758)	(239)	(287)	0	0	(2,797)
Depreciation written out to the Revaluation Reserve	0	563	0	0	0	0	0	563
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Transfers between categories	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0
At 31st March 2015	(2,636)	(2,343)	(4,908)	(1,166)	(2,336)	0	0	(13,389)
Net Book Value								
At 31st March 2015	1,361	42,210	7,248	357	2,035	3,092	23	56,326
At 31st March 2014	1,563	43,518	7,849	312	2,234	3,080	1,261	59,815

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

Movements in 2013/14	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 2013	5,933	46,782	10,194	4,039	4,350	3,098	2	74,398
Additions	20	427	287	113	13	38	1,259	2,157
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(605)	0	0	0	0	0	(605)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(378)	0	0	0	0	0	(378)
Transfers between categories	(1,581)	48	1,555	0	0	(22)	0	0
Other movements in cost or valuation	(375)	(1,162)	(38)	(2,914)	(80)	(34)	0	(4,603)
At 31st March 2014	3,997	45,112	11,998	1,239	4,283	3,080	1,261	70,970
Accumulated Depreciation & Impairment								
At 1st April 2013	(3,426)	(2,136)	(2,568)	(3,644)	(1,807)	0	0	(13,582)
Depreciation charge	(202)	(1,044)	(747)	(187)	(262)	0	0	(2,442)
Depreciation written out to the Revaluation Reserve	0	1,155	0	0	0	0	0	1,155
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Transfers between categories	980	(26)	(954)	0	0	0	0	0
Other movements in cost or valuation	213	457	120	2,904	20	0	0	3,714
At 31st March 2014	(2,435)	(1,594)	(4,150)	(927)	(2,049)	0	0	(11,155)
Net Book Value								
At 31st March 2014	1,562	43,518	7,848	312	2,234	3,080	1,261	59,815

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.

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

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Analysis of Land & Buildings Movements 2014/15	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations														
At 1st April 2014	9,915	1,572	1,729	2,864	0	83	6,854	1,050	13,586	543	1,705	4,078	1,133	45,112
Additions		34			463				87	8	3	2	14	611
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,667)				31	113	1,216							(307)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,680)				(283)									(1,963)
Assets Reclassified					1,250									1,250
Other movements in cost or valuation		(36)							(87)	(8)	(3)	(2)	(14)	(150)
At 31st March 2015	6,568	1,570	1,729	2,864	1,461	196	8,070	1,050	13,586	543	1,705	4,078	1,133	44,553
Accumulated Depreciation & Impairment														
At 1st April 2014	(181)	(181)	11	(152)	0	0	(339)	(22)	(257)	(32)	(342)	(70)	(39)	(1,604)
Depreciation charge		(89)	(23)	(164)	(146)		(379)	(21)	(257)	(1)	(123)	(70)	(39)	(1,312)
Depreciation written out to the Revaluation Reserve	225						339							563
Depreciation written out to the Surplus/Deficit on the Provision of Services														0
Other movements in cost or valuation	10													10
At 31st March 2015	54	(270)	(12)	(316)	(146)	0	(379)	(43)	(513)	(33)	(465)	(140)	(78)	(2,343)
Net Book Value														
At 31st March 2015	6,622	1,300	1,717	2,548	1,315	196	7,691	1,007	13,073	510	1,240	3,938	1,055	42,210
At 31st March 2014	9,734	1,391	1,740	2,712	0	83	6,515	1,028	13,330	511	1,363	4,008	1,094	43,510

Community Assets have all previously been revalued at £1 each, in accordance with Note 1. 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 now 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.

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer.
- Vehicles, Plant, Furniture, IT & Office 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.

Capital Commitments

The Council were not contractually committed to any capital projects as at 31st March 2015.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out externally by Harrison's 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 1st April 2014 in accordance with the requirements of the Code of Practice, and are considered to be materially accurate at the Balance Sheet date.

The following revaluation bases have been used:

- Leisure Centres & Pools: Depreciated Replacement Cost
- Car Parks: Market Value
- Housing: Market Value

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	3,997	3,093	421	12,155	1,523	4,370	25	25,584
Valued at fair value as at:								
31st March 2011			316					316
31st March 2012			698					698
31st March 2013			2,326					2,326
31st March 2014			24,816					24,816
31st March 2015			15,975					15,975
Total Cost or Valuation	3,997	3,093	44,552	12,155	1,523	4,370	25	69,715

18 - INVESTMENT PROPERTIES

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

	2013/14 £000	2014/15 £000
Balance at start of the year	12,567	12,727
Additions:		
Additions		2,498
Net gains/losses from fair value adjustments	161	737
Other changes	(2)	
Balance at end of year	12,727	15,962

19 – HERITAGE ASSETS: 5 YEAR SUMMARY OF TRANSACTIONS

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £001
Balance Brought Forward	10,245	10,279	10,279	10,334	10,363
Acquisitions	34		55	29	21
Disposals					
Balance Carried Forward	10,279	10,279	10,334	10,363	10,384

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

Cost or Valuation	Museum Exhibits £000	War Memorials £000	Statues & Sculptures £000	Other Items £000	Total Assets £000
1st April 2014	9,090	450	515	308	10,363
Additions		21			21
Reclassifications					0
31st March 2015	9,090	471	515	308	10,384
1st April 2013	9,090	450	515	279	10,334
Additions					0
Reclassifications				29	29
31st March 2014	9,090	450	515	308	10,363

Museum Exhibits

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

<http://www.museum.maidstone.gov.uk/>

Included within the total value of £9.090m are a number of significant items:

- A copy of a Lambeth Bible valued at £1m
- A number of Japanese woodblock prints valued in total at £1.2m
- A number of Japanese Inro exhibits valued in total at £0.6m

The total of £9.090m represents those items that have formally been valued as at 1st April 2011 for insurance purposes by a number of reputable auction houses. The value of the total collection is likely to be far higher, and is valued for insurance purposes at £17.5m (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.

The museums' collections are administered with reference to an Acquisition and Disposal policy approved by the museums' governing body (the Council). This is a requirement of the Museums, Libraries & Archives Council's (MLA) 'Accreditation' Scheme (now operated by Arts Council England). Its purpose is to review the present state and use of the collections and define how artefacts and specimens enter and leave the collections. It ensures material is accepted according to a recognized strategy, serves as a reference document to guide curatorial decisions and encourages public confidence in the Museum as a suitable repository. It covers the recording of artefacts and specimens and through its use determines how widely the collections can be accessed by the general public (e.g. digitisation of the records will enable remote access to the collections via the Internet).

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 two items, the civic regalia used by the Mayor, and the 'Elemental' art installation on the bridge across the River Medway. The civic regalia have been valued by a local jeweller for insurance purposes, and the art installation has been valued at purchase cost.

Listed Buildings and Other Heritage Assets

The Old College complex, comprising the Gateway, the Masters Tower and the Quarterdeck has been classified as a heritage asset. However due to the age and nature of the buildings it is be 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, and the following assets:

- Finial to the Commons Debating Chamber in Brenchley Gardens
- Daphne & Apollo statue in Brenchley Gardens
- Clare Park Drinking Fountain
- Penenden Heath Clock Tower
- South Park Fountain
- Queen's Monument in Jubilee Square
- The Cannon in the Lower High Street
- Dove of Peace sculpture in the Archbishop's Palace Gardens

21 - FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Short-Term	
	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
Investments				
Loans & receivables		5,000	12,559	11,180
Available-for-sale financial assets	11	11	8,000	5,084
	11	5,011	20,559	16,264
Bank Overdraft				
Debtors				
Loans & receivables	26	28	6,278	7,539
Creditors				
Financial liabilities at amortised cost			3,862	3,210
Other Long Term Liabilities				
Finance Lease Liabilities	1,671	1,177	604	457

On the face of the Balance Sheet Loans & Receivables are split in Current Assets between Short Term Investments and Cash & Cash Equivalents.

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

Income & Expense

	Long-Term		Short Term	
	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
Income:				
Loans & Receivables		28	180	101
Available-for-sale Financial Assets			51	76
Other Interest				3
Total	0	28	231	180

Fair Value of Assets and Liabilities

Financial liabilities, financial assets represented by loans and receivables and long-term debtors and creditors are carried in the Balance Sheet at amortised cost. Available for sale assets are measured at fair value which is determined through an active market. Where an instrument has a maturity of less than 12 months the fair value is taken to be the carrying amount. The Council has no

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

22 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Head of Finance & Resources and the Treasury Management Accountant, under policies approved by the Council on 5 March 2014 in the Annual Treasury Management Strategy, which can be viewed on the Council's website – <http://www.maidstone.gov.uk>. A summary of the main points of the 2014/15 Treasury Management Strategy is also shown below.

The Council also 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 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, at the above link.

Treasury Management Strategy 2014/15

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

- Increasing maximum durations limits with part nationalised institutions from 1 year to 2years;
- Invest up to £5m of core cash for over 1 year if rates were to improve. Possibility of using property funds;
- To consider the use of core cash during 2014/15 for internal borrowing if not used for longer term investments;
- All other investments short term (less than 1 year);
- No borrowing requirements for the year necessary except for short term.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. There are limits based on credit ratings set on the amount and length of time deposits can be made with individual banks and financial institutions, and these are set out in the Annual Treasury Management Strategy. These ratings are supplied by Capita Asset Services (the Council's Treasury Advisors), who look at ratings from all three credit rating agencies, Fitch, Moodys and Standard and Poors. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

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- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings

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 2015 the investments were held with the following institutions:

	31st March 2014 £000	31st March 2015 £000
AAA rated Institutions	8,000	8,064
AA rated Institutions	0	42
A rated Institutions	11,175	11,000
Unrated Building Societies	0	2,000
UK Government	11	11
Total	19,186	21,117

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 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. Borrowing is generally only undertaken on a short-term basis for cash flow purposes, and there is also an overdraft facility of £0.5m available with Lloyds Bank. However provision has also been made with the current Treasury Management Strategy to have an authorised debt limit of £10m 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk – Interest Rate Risk

As the Council does not currently have any borrowing its only risk is in relation to exposure to interest rate movements in its investments. This exposure is managed by use of Prudential Indicators, which set limits on the proportion of investments held at fixed and variable rates. These indicators are monitored on a daily basis. The main exposure to risk in this area is the use of investment Call Accounts, Enhanced Cash Funds and Money Market Funds which are linked to Base Rate. However the risk is considered to be small as these accounts are generally only used for the short-term investment of funds for cash flow purposes, and funds can be withdrawn on a daily basis. The risk exposure is summarised in the table below.

	31st March 2014 £000	31st March 2015 £000
Call Accounts/Money Market Funds	6,175	5,022
Receivables	5,000	11,000
Available-for-Sale Financial Assets	8,011	5,095
Total	19,186	21,117

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council'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 Council also makes use of interest rate forecasts and market data and advice provided by its Treasury Management advisors to ensure that investment income is maximised wherever possible.

Foreign Exchange Risk

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

23 – DEBTORS

Short Term Debtors

	2013/14 £000	2014/15 £000
Central government bodies	282	568
Other local authorities	51	89
Other entities and individuals	9,068	11,220
Total	9,401	11,877

The movement in the balances for Central Government and other local authorities is a reflection of the introduction of the new Business Rates Pooling Arrangement.

Other entities and individuals are broken down as follows:

	2013/14 £000	2014/15 £000
Council Tax payers	799	782
Business Rate payers	1,183	1,429
Capital debtors	482	648
General debtors	5,055	7,104
Payments in Advance	808	608
Other miscellaneous amounts	741	649
Total	9,068	11,220

Provision for Bad Debts

	2013/14 £000	2014/15 £000
Excess Charges Provision	488	424
Sundry Bad Debts Provision	2,439	2,889
Total	2,927	3,313

Short Term Debtors and Provision for Bad Debts Total

	2013/14	2014/15
	£000	£000
Short Term Debtors	9,401	11,877
Provision for Bad Debts	(2,927)	(3,313)
Total	6,474	8,564

24 - CASH & CASH EQUIVALENTS

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

	2013/14	2014/15
	£000	£000
Cash held by the Council	12	12
Bank current accounts	1,290	146
Short-term deposits	14,228	8,106
Total	15,530	8,264

Cash & Cash Equivalents are split on the face of the Balance Sheet between Current Assets and Current Liabilities.

25 – CREDITORS

Short Term

	2013/14	2014/15
	£000	£000
Central government bodies	1,477	2,812
Other local authorities	1,210	2,279
Other entities and individuals	5,659	4,948
Total	8,345	10,039

The movement in the balances for Central Government and other local authorities is a reflection of the introduction of the new Business Rates Pooling Arrangement.

Other entities and individuals are broken down as follows:

	2013/14	2014/15
	£000	£000
General creditors	2,316	2,297
Capital creditors	272	132
Council tax payers	376	167
Business Rate payers	241	516
Receipts in advance	1,180	1,055
Deposits	1,133	727
Retentions	141	54
Total	5,658	4,948

26 - PROVISIONS

Provision for Business Rates Appeals

	2013/14	2014/15
	£000	£000
Business Rates Appeals - Current	292	326
Business Rates Appeals - Backdated	859	742
Total	1,151	1,068

A new system for the distribution of business rates was introduced from April 2013. The Council now is required to account for the effect of appeals which were previously borne by the national pool. The balance represents the Council's 40% share of the estimated current and backdated appeals.

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 Estate Trust. 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.

Gross expenditure in 2014/15 totalled £563,485 (£643,438 in 2013/14). Gross income in 2014/15 totalled £702,904 (£810,896 in 2013/14).

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

The assets and liabilities of the Trust as at 31st March 2015 may be summarised as follows:

	2013/14	2014/15
	£000	£000
Fixed Assets:		
Cobtree Golf Course	1,152	1,050
Cobtree Manor Park	635	635
Kent Life Attraction	725	725
Investments	1,164	1,212
	3,676	3,622
Current Assets	320	723
Current Liabilities	215	450
Total assets less current liabilities	3,781	3,895
Total Charitable Funds	3,781	3,895

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 value of the works carried out to date (£4.073m) has been reflected in the non-current assets total, with a matching entry shown as a deferred liability (less repayments made in 2014/15) to reflect the balance due on the loan for the works done to date.

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

	2013/14 £000	2014/15 £000
Balance outstanding at start of year	2,552	2,124
Repayment of principal	(428)	(490)
Balance outstanding at end of year	2,124	1,634

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.

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 Capital Grants Unapplied, Earmarked Reserves and the General Fund Balance.

	31st March 2014 £000	31st March 2015 £000
Balance at 1st April	1,043	187
Capital Receipts Received	1,651	1,122
Capital Receipts Applied	(2,507)	(1,155)
Balance at 31st March	187	154

30 – EARMARKED RESERVES

Within the General Fund balance of £16.968m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2014 £000	Contributions to/from Balances £000	31st March 2015 £000
New Homes Bonus funding for Capital	6,157	1,146	7,303
Local Plan	430	(77)	353
Neighbourhood Planning	110	(3)	107
Trading Accounts	179	0	179
Business Rates Growth	0	336	336
	6,876	1,402	8,278

Description of Reserves:

New Homes Bonus funding for Capital – the Council has chosen to set aside this funding from central government to fund large scale infrastructure projects in the capital programme.

Local Plan – this is funding set aside to support the on-going production of the Local Plan document.

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

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

Business Rates Growth – these are locally retained rates from the Business Rates Pool that the Council participates in, which will be used to support economic development initiatives.

31 - UNUSABLE RESERVES

	31st March 2014 £000	31st March 2015 £000
Revaluation Reserve	25,328	25,547
Capital Adjustment Account	56,220	56,258
Deferred Capital Receipts Reserve	25	27
Pensions Reserve	(56,477)	(70,680)
Collection Fund Adjustment Account	(486)	667
Accumulated Absences Account	(180)	(181)
Financial Instruments Adjustment Account	0	84
Total Unusable Reserves	24,430	11,722

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 2014 £000	31st March 2015 £000
Balance at 1st April	25,018	25,328
Upward revaluation of assets	3,296	2,103
Downward revaluation of assets	(2,720)	(1,847)
Disposals	(275)	
Difference between fair value depreciation and historical cost depreciation	9	(37)
Balance at 31st March	25,328	25,547

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.

Note 5 provides details of source of all the transactions posted to the Account, apart from those involving the Revaluation Reserve.

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

	31st March 2014 £000	31st March 2015 £000
Balance at 1st April	57,460	56,220
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(2,441)	(2,797)
Amortisation of intangible assets	(280)	(231)
Prior Year Adjustments		
Revaluation Losses on Property, Plant & Equipment	(378)	(1,963)
Revenue expenditure funded from capital under statute	(3,333)	(1,619)
Write-off of non-enhancing capital expenditure	(104)	(163)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,460)	0
	(7,997)	(6,773)
Adjusting amounts written out of the Revaluation Reserve	265	36
Net written out amount of the cost of non-current assets consumed in the year	(7,732)	(6,737)
Capital financing applied in the year:		
Sums set-aside for Debt Repayment	578	638
Use of the Capital Receipts Reserve to finance new capital expenditure	2,507	1,156
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,549	1,321
Application of grants to capital financing from the Capital Grants Unapplied Account		
Capital expenditure charged against the General Fund balance	1,697	2,923
	6,331	6,038
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	161	737
Balance at 31st March	56,220	56,258

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.

	2013/14	2014/15
	£000	£000
Opening balance at 1 April	48,985	56,476
Remeasurements of the net defined liability	5,574	11,987
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	4,936	5,417
Employer's pensions contributions	(3,019)	(3,200)
Closing balance at 31 March	56,476	70,680

32 - CAPITAL EXPENDITURE & CAPITAL FUNDING

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

	2013/14	2014/15
	£000	£000
Capital Investment		
Property, Plant & Equipment	2,156	1,017
Heritage Assets	0	21
Investment Properties	0	2,499
Intangible Assets	161	103
Non-enhancing capital expenditure	104	163
Revenue Expenditure Funded from Capital Under Statute	3,333	1,597
	5,753	5,400
Sources of Finance		
Capital receipts	2,507	1,156
Government grants & other contributions	1,549	1,321
Direct Revenue Contributions	1,697	2,923
	5,753	5,400

33 - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit final salary 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:

	2013/14 £000	2014/15 £000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	2,840	2,858
- Past service costs including curtailments	148	141
- (Gain)/loss from settlements	(96)	0
Financing and Investment Income & Expenditure:		
- Net interest expense	2,044	2,418
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,936	5,417
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)	2,901	5,298
- Actuarial gains and losses arising on changes in financial assumptions	(2,776)	(17,436)
- Actuarial gains and losses arising on changes in demographic assumptions	(3,222)	0
- Experience gains and losses on defined benefit obligation	445	151
- Other actuarial gains and losses	(2,922)	0
Total Post Employment Benefit Charged to the CI&ES	(638)	(6,570)
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	4,936	5,417
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,019)	(3,200)

Curtailments

Curtailments have been calculated for employees who become entitled to unreduced early retirement benefits during the year. The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £45,000 (2013/14 £148,000).

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 (2013/14 £96,000).

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:

	2013/14 £000	2014/15 £000
Present value of funded obligation	133,772	155,811
Fair value of plan assets	79,694	87,531
Contributions by scheme participants	54,078	68,280
Present value of unfunded obligation	2,398	2,400
Net liability arising from defined benefit obligation	56,476	70,680

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

	2013/14 £000	2014/15 £000
Opening fair value of Scheme assets	78,152	79,694
Interest on assets	3,322	3,486
Return on assets less interest	2,967	5,358
Other actuarial losses	(2,922)	0
Administration expenses	(66)	(60)
Contributions by employer including unfunded	3,019	3,200
Contributions paid by scheme participants	686	782
Estimated benefits paid plus unfunded net of transfers in	(5,266)	(4,929)
Settlement prices paid	(198)	0
Closing fair value of Scheme assets	79,694	87,531

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

	2013/14 £000	2014/15 £000
Opening balance at 1 April	127,137	136,170
Current Service cost	2,840	2,858
Interest cost	5,366	5,904
Remeasurement (gains) and losses		
- Change in financial assumptions	2,776	17,436
- Change in demographic assumptions	3,222	0
- Liabilities extinguished on settlements	(294)	0
- Experience loss/(gain) on defined benefit	(445)	(151)
Past service costs, including curtailments	148	141
Estimated benefits paid net of transfers in	(5,064)	(4,733)
Contributions by Scheme participants	686	782
Unfunded pension payments	(202)	(196)
Closing balance at 31 March	136,170	158,211

Local Government Pension Scheme Assets

	31st March 2014		31st March 2015	
	£000	%	£000	%
Equities	56,583	71	59,819	68.3%
Gilts	797	1	915	1.0%
Other Bonds	8,766	11	9,736	11.1%
Property	7,969	10	10,873	12.4%
Cash	2,391	3	2,393	2.7%
Target Return Portfolio	3,188	4	3,795	4.3%
Total	79,694	100	87,531	100.0%

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 latest full valuation of the scheme as at 31st March 2013.

The principal assumptions used by the actuary have been:

	2013/14	2014/15
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	22.7	22.8
- Women	25.1	25.2
Longevity at 65 for future pensioners		
- Men	24.9	25.1
- Women	27.4	27.6
Financial Assumptions		
RPI increases	3.6%	3.2%
CPI increases	2.8%	2.4%
Salary increases	4.6%	4.2%
Pension increases	2.8%	2.4%
Discount Rate	4.4%	3.3%

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 for men and women. In practice, this is unlikely to occur, and changes in some of the assumptions may 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 assumptions used in preparing the sensitivity analysis below did not change from those used in the previous period.

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+ 0.1%	0.0%	-0.1%
- Present Value of Total Obligation	155,532	158,211	160,938
- Projected Service Cost	3,409	3,491	3,575
Adjustment to long-term salary increase	+ 0.1%	0.0%	-0.1%
- Present Value of Total Obligation	158,524	158,211	157,900
- Projected Service Cost	3,493	3,491	3,489
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	-0.1%
- Present Value of Total Obligation	160,647	158,211	155,817
- Projected Service Cost	3,574	3,491	3,410
Adjustment to mortality age rating	+ 1 Year	None	- 1 Year
- Present Value of Total Obligation	152,666	158,211	163,806
- Projected Service Cost	3,372	3,491	3,611

Scheme History

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Present value of assets in the Local Government Pension Scheme	70,211	69,969	78,152	79,694	87,531
Fair value of assets in the Local Government Pension Scheme	100,553	116,535	127,137	136,170	158,211
Surplus/(Deficit) in the scheme	(30,342)	(46,566)	(48,985)	(56,476)	(70,680)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £70.680m 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 2016 are £3.008m.

34 – LEASES

Finance Leases – Council as Lessee

The Council currently has a number of arrangements which it classifies as finance leases, covering the operation of the leisure centre, and vehicles used in the delivery of the park & ride contract.

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

	31st March 2014 £000	31st March 2015 £000
Not more than 1 year	604	457
Later than 1 year and not later than 5 years	1,962	2,026
Later than 5 years	3,047	2,527
	5,614	5,010

35 - IMPAIRMENT LOSSES

During 2014/15 the Council did not identify any losses as a result of impairment.

36 - CONTINGENT LIABILITIES

The Council is dealing with potential insurance claims in respect of mesothelioma, which is a condition caused by exposure to asbestos. A number of former employees of the Council have, or may be, lodging claims with Municipal Mutual Insurance, who were the Council's insurers at the time the alleged exposure took place. The estimated settlement costs currently totals £0.142m, and the Council would be liable for 15% of this cost, which equates to £30,187.

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

37 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Regeneration & Communities on 30th June 2015. 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 2015 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

	2013/14	2014/15
	£000	£000
Depreciation	(2,441)	(2,797)
Revaluation Gains & Losses	(378)	(2,126)
Amortisation of Intangible Assets	(280)	(231)
Movement in Provisions	(2,136)	(305)
Movement in Creditors	(2,062)	1,608
Movement in Debtors	(1,884)	2,443
Movement in Inventories	(11)	(6)
Movement in Pension Liabilities	(1,917)	(2,440)
Carrying amount of Non-Current Assets sold	(1,460)	0
Other Non-Cash items	161	737
	(12,408)	(3,117)

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

	2013/14	2014/15
	£000	£000
Net adjustment from the sale of short and long term investments	0	(29)
Capital Grants credited to surplus or deficit on the provision of services	1,880	1,321
Proceeds from sale of Property, Plant & Equipment	1,656	1,125
	3,536	2,417

40 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2013/14	2014/15
	£000	£000
Interest received	(231)	(209)
Interest paid	235	211
Dividends received		
	4	2

41 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2013/14	2014/15
	£000	£000
Purchase of property, plant & equipment, investment property and intangible assets	2,456	3,780
Purchase of short-term and long-term investments	5,000	13,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,780)	(1,276)
Proceeds from short-term and long-term investments	(7,000)	(5,000)
Other receipts for investing activities (Grants)	(1,664)	(1,422)
Net cash flows from investing activities	(2,988)	9,082

42 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2013/14	2014/15
	£000	£000
Cash receipts of short & long-term borrowing	367	0
Other receipts from financing activities	5	641
Cash payments for the reduction of outstanding liabilities relating to finance leases	578	(3,580)
Repayments of short & long-term borrowing	5	641
Other payments for financing activities	578	(3,580)
Net cash flows from financing activities	950	(2,939)

COLLECTION FUND STATEMENT & NOTES

2013/14 £000		2014/15 £000 £000	
INCOME			
84,145	Income From Council Tax		87,561
56,222	Income From Business Rates (Note 2)		57,092
	Transfers from General Fund		79
140,367	Total Income		144,732
EXPENDITURE			
Precepts and Demands - Council Tax			
57,930	Kent County Council	59,797	
7,821	Kent Police & Crime Commissioner	8,073	
13,719	Maidstone Borough Council	14,226	
3,757	Kent & Medway Towns Fire Authority	<u>3,878</u>	85,973
Shares of Business Rates			
27,458	Central Government	26,825	
4,942	Kent County Council	4,829	
21,966	Maidstone Borough Council	21,460	
549	Kent & Medway Towns Fire Authority	<u>537</u>	53,651
34	Transitional Protection Payments - Business Rates		305
Impairment of Debts - Council Tax			
161	Write offs of uncollectable amounts	266	
24	Additional / (Reduced) Provision For Non Payment	<u>284</u>	550
Impairment of Debts/Appeals - Business Rates			
468	Write offs of uncollectable amounts	344	
480	Additional / (Reduced) Provision For Non Payment	374	
	Losses on appeal	(2,697)	
2,878	Additional / (Reduced) Provision For Appeals	<u>2,490</u>	512
207	Cost of Collection Allowance - Business Rates		208
142,394	Total Expenditure		141,199
(2,027)	Surplus/(Deficit) For Year		3,533
247	Adjustment to Surplus - Council Tax		-
955	Adjustment to Surplus - Business Rates		-
448	Surplus/(Deficit) Brought Forward From Previous Years		(377)
1,427	Surplus/(Deficit) on Council Tax		2,544
(1,805)	Surplus/(Deficit) on Business Rates		613
(377)	Surplus/(Deficit) as at 31st March 2015		3,157

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.

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, 1 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 & Medway Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the council tax base [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: 55,675.1 for 2014/15 (55,155.1 for 2013/14) (see table below)]. This basic amount of council tax for a Band D property, £1,513.36 for 2014/15, (£1,483.82 for 2013/14) 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)	0.70	5/9	0.4
Band A	2,930.50	6/9	1,953.7
Band B	6,415.80	7/9	4,990.0
Band C	14,440.80	8/9	12,836.3
Band D	14,305.20	9/9	14,305.2
Band E	7,557.40	11/9	9,236.8
Band F	4,353.00	13/9	6,287.7
Band G	3,208.20	15/9	5,347.0
Band H	263.70	18/9	527.3
Other			190.7
			55,675.1

Note 2 - Income from Business (Non-domestic) Rates

The Council collects from local businesses an amount equal to the rateable value of their property multiplied by a uniform rate set by the Government.

For 2014/15, the business rate multiplier was 48.2p (47.1p in 2013/14) and the small business multiplier was 47.1p (46.2p in 2013/14). The rateable value at 31st March 2015 was £142.632m (£141.490m at 31st March 2014).

Note 3 – Distribution of Business (Non-domestic) Rates

The administration of business rates changed in 2013/14 following the introduction of a business rates retention scheme. The new system is intended to provide a link between business rates growth and the amount of money that councils have to spend on local services. Councils will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. This is intended to provide a financial incentive for councils to promote economic growth but also increases the financial risk due to volatility and non-collection of rates.

For Maidstone Borough Council, the local share is 40% with the remainder distributed to central government (50%), Kent County Council (9%) and Kent and Medway Fire & Rescue Authority (1%).

Where councils receive more business rates than their level of spending, a tariff payment is made to the Government. For 2014/15, it was calculated that the Council would receive £22.18m in business rates (£21.97m 2013/14) but would make a tariff payment of £19.13m (£18.76m 2013/14) to the Government. Where councils have greater needs than their business rates income, they will receive a top-up payment from the government. The total national sums of tariffs and top-up payments will equal each other. The levels of tariff and top-up payments will remain fixed each year, but will increase in line with the Retail Price Index. In addition, safety net payments will be available if a council's business rates income falls by a certain amount. This safety net will be funded by a levy paid by those councils whose business rates revenue increases by a disproportionate amount compared to their needs.

For 2014/15 Maidstone Borough Council entered into a pooled arrangement with Kent County Council in order to minimise the levy payment due to central government and thereby maximise the local retention of locally generated business rates.

NNDR 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.

The Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

The collection fund statement on page 74 shows the statutory transactions relating to this fund.

Annual Governance Statement

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2014/15

1. SCOPE OF RESPONSIBILITY

- 1.1 Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Maidstone Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council's section 151 Officer and the Monitoring Officer are key members of the Corporate Leadership Team, reviewing all decisions taken through management team, Committees and Full Council.
- 1.2 In discharging this overall responsibility, Maidstone Borough Council is responsible for putting in place proper arrangements for the governance of its affairs and facilitating the effective exercise of its functions which includes arrangements for the management of risk.
- 1.3 Where actions have been identified they are highlighted in speech bubbles at the appropriate point in the statement.
- 1.4 Maidstone Borough Council has approved and adopted a Local Code of Corporate Governance updated in 2015 as part of the development of the new constitution. The Local Code of Corporate Governance is consistent with the principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government". A copy of the Code is on the website at www.maidstone.gov.uk or can be obtained from the Council at Maidstone House, King Street, Maidstone, Kent ME15 6JQ. This statement explains how Maidstone Borough Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

- 2.1 The governance framework comprises the systems and processes, and culture and values, by which the Council is directed and controlled and its activities through which it accounts to, engages with and leads the community. It enables the Council to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate, cost-effective services.
- 2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of Maidstone Borough Council’s policies, aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised then provides a means of managing the risks efficiently, effectively and economically.
- 2.3 This governance framework was in place at Maidstone Borough Council for the year ended 31 March 2015 and up to the date of approval of the Statement of Accounts.

3 THE GOVERNANCE FRAMEWORK

- 3.1 The monitoring of Corporate Governance has a high priority at the Council. The Head of Policy and Communications is responsible for Corporate Governance. A small working group made up of the Head of Finance and Resources, the Head of Legal Partnership (Monitoring Officer) and the Head of Policy and Communications assisted by the Head of Audit Partnership reporting six monthly to the Corporate Leadership Team and the Audit Committee on governance matters.
- 3.2 At appendix A are the Council's pillars of governance this identifies they key strands of governance and the documents and actions represented with-in each.
- 3.3 The Governance Framework is based on the CIPFA/SOLACE six principles of effective governance
1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
 2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
 3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
 4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
 5. Developing the capacity and capability of members and officers to be effective
 6. Engaging with local people and other stakeholders to ensure robust public accountability

How we deliver good governance 2014-15

Principle	Governance Mechanism (what we are doing)	Assurance
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</p>	<ul style="list-style-type: none"> • The vision for Maidstone is set out in our Sustainable Community Strategy. • The Strategic Plan reflects the vision and sets out our priorities and outcomes. Each outcome has an action plan, performance indicators and targets. • The Annual Corporate Planning Cycle approved by Cabinet in 2014 facilitates the effective planning of service delivery, including the identification of risks, and budget requirements. Policy and Resources will revisit this in 2015. • Performance Management of delivering our priorities and services is achieved through ‘Reach the Summit’ and the Council’s Performance Plan and Scrutiny Committees for 2014-15. • The Council’s Values have been identified under the acronym STRIVE which stands for Service, Teamwork, Responsibility, Integrity, Value and Equality. • A project overview board exists and a project management 	<ul style="list-style-type: none"> • The Sustainable Community Strategy was developed following consultation with residents and engagement in events to determine the priorities and vision for the borough. • A new Strategic Plan for 2015-2020 was developed and approved in 2015 • communicate our priorities internally. • Resident Survey undertaken every two years to understand priorities and issues for residents • Monitoring against the key measures of success is reported six monthly to Cabinet and Scrutiny. In the future will be reported to Policy and Resources • Key Performance Indicator outturns are subject to review by Cabinet, Overview and Scrutiny committees and ultimately, by full Council. This role will be undertaken by Policy and Resources in 2015-16. • Annual STRIVE staff awards based on our values. • The project board comprising CLT considers the

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Principle	Governance Mechanism (what we are doing)	Assurance
	<p>toolkit is utilised to develop and monitor major projects.</p> <p>The Council developed and approved a new constitution in April 2015</p>	<p>major projects currently being undertaken by the Council at a strategic level and ensures resources are applied and actions taken to maintain control over all such projects.</p>
<p>Members and Officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> The Council's Constitution specifies the roles and responsibilities of Members and Officers and lays down financial and contract procedural rules for the efficient and effective discharge of the Council's business. The Constitution includes the roles and responsibilities of the new Service Committees and Audit Committees. A well established and effective Audit Committee and Overview and Scrutiny function for 2014-15. Effective Audit function. 	<ul style="list-style-type: none"> The constitution is kept under review by the Monitoring officer. Half yearly reports are produced for Audit Committee which evaluates the overall internal control environment tested through the internal audit work. An annual review of audit work and the effectiveness of the audit process is produced for Audit Committee. Governance Arrangements were reviewed during 2014-15 and the Council changed to a Committee System of governance in May 2015. For 2014-15 a protocol was put into place between Audit and Scrutiny Committees to avoid duplication and overlap on the work programme and facilitate appropriate references between the committees. The Council is a member of a well-established and effective Internal Audit partnership that works to an approved annual audit plan.

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Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> • The Council has appointed a Monitoring Officer to oversee its compliance with laws and statutory obligations. • The Council has clearly defined roles and responsibilities for Members and Officers. • The Council has a Corporate Improvement Board who identify improvement projects and review the impact of change and improvement on a quarterly basis. • Code of Corporate Governance in place. 	<ul style="list-style-type: none"> • The Internal Audit partnership externally assessed as fully conforming with the Public Sector Audit Standards. • Individual audit reports are produced for the relevant managers, with a copy to the Chief Executive and appropriate Director. • External Audit produce a number of reports which are reported to management and Members. Recommendations and comments are considered and, where necessary, action is taken to address any issues raised. • Scheme of Delegation is in place as defined in the constitution. A register of all delegations for Officers will be held centrally by the Monitoring Officer to ensure consistency. • Update on the Corporate Improvement Programme reported to Cabinet twice a year. This will be reviewed by Policy and Resources in 2015-16. • The Local Code of Corporate Governance was

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

Principle	Governance Mechanism (what we are doing)	Assurance
		reviewed and updated in July 2014.
<p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	<ul style="list-style-type: none"> • Good Corporate Governance is at the heart of everything the Council does, for staff this is incorporated into our six core values (STRIVE) in the delivery of services and in particular the value: Integrity and High Standards of Corporate Governance. The Council has an annual award ceremony focussed on our values, where individuals and teams are given awards for demonstrating the values. • At the mid-year and full year appraisal points all staff are asked how they demonstrate the values. • The Audit Committee has a responsibility to monitor and improve the arrangements for Corporate Governance within the Council. • The Council’s Monitoring Officer is responsible for ensuring that the Council acts in accordance with the constitution. • The Council has adopted a local code of conduct for Members and Officers. • The Council meets the requirements of the Public Sector Equality Duty. 	<ul style="list-style-type: none"> • Annual Award Ceremony for Staff focused on the Values. • The competency framework is aligned to the council’s values. • The Audit Committee provides an Annual Report to Council on its effectiveness. • The Monitoring Officer reports to Council and provides advice to Members and Officers. • The Section 151 officer and monitoring officer review all reports for decision via our committee report management system (moderngov). • Equality Impact Assessments are carried out to demonstrate equalities being taken into account in our

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> HR procedures and systems are in place for disciplinary and capability management 	<p>decision making. In 2013 Audit reviewed our compliance with the Public Sector Equality Duty which was followed by a public sector equality duty self-assessment and a peer review in 2014-15.</p> <ul style="list-style-type: none"> Corporate Equality Policy. <p>We will be setting new equality objectives in 2015.</p>
<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> The Council agreed to review the governance arrangements in September 2014. In December 2014 a new Committee System was approved for 2015 onwards. An agreed Risk Management Strategy is in place with identified corporate strategic risks and Management Action Plans. Risk management is a standard heading for consideration of all reports to Management Team and Members. A formal risk assessment is required for reports which require decisions on strategic issues or which seek approval for significant projects. Heads of Service are asked to identify risks as part of their annual review of service plans. The Council publishes details of all Council spending to suppliers, senior officer salaries and details of all new contracts via its website. 	<ul style="list-style-type: none"> Overview and... on their effectiveness and outcomes. The Strategic Risk Register is subject to regular review. Risks to service delivery (operational risks) have been accepted as the responsibility of individual authorised officers and incorporated into Service Plans. Heads of Service are responsible for ensuring that their service managers retain an effective operational risk <p>A new Risk Management framework was agreed by Policy and Resources in June 2015.</p> <ul style="list-style-type: none"> Risk assessments for service plans are logged in covalent <p>Risks are being identified by services for 2015-2016</p>

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Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> • Open meetings and webcasting. • Transparent and Evidence based decision making. 	<p data-bbox="1377 359 2038 438">We will be reviewing our webcasting in 2015-16</p> <ul style="list-style-type: none"> • Meetings are webcast. Agenda papers and the access to information procedure rules are complied with • Reports include information on the options considered alternatives and reason for decision
<p>Developing the capacity of Members and Officers to be effective</p>	<ul style="list-style-type: none"> • The Council has had an “Investors in People” (IiP) award for a number of years, which involves demonstrating that the Council has regular appraisals, service and training planning, training evaluation forms, recruitment and selection procedures and initiatives such as Work/Life Balance. The Council was re-accredited with IiP early in 2011. • We have revised our Member Development Policy. • Annual Member development programme. • New Member induction programme. 	<p data-bbox="1422 885 2172 1045">The new Democracy Committee has responsibility for Member Development and will be reviewing this in 2015-16.</p> <ul style="list-style-type: none"> • Regular Member seminars and workshops. • The Employment and Member Development Panel reviewed the development programme and budget for Members annually this will now pass to the Democracy Committee.

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Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> • A well-established staff appraisal process is in place and guidance and training is available for all staff and managers. • Workforce Strategy 	<ul style="list-style-type: none"> • Appraisals are held at mid-year and end of year points with all staff, they include a section to identify development needs. • Service delivery by trained and experienced people. • Regular reports to the Member and Employment Development Panel.

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Principle	Governance Mechanism (what we are doing)	Assurance
<p>Engaging with local people and other stakeholders to ensure robust public accountability</p>	<ul style="list-style-type: none"> • Consultations are held on decisions affecting local people and local people are encouraged to be involved, for example the work on developing the Council’s Economic Development Strategy • Engagement with stakeholders through various groups such the older person’s forum. • Membership of the Chamber of Commerce and work through the Chamber, Federation of Small Businesses, Town Centre Management, Maidstone Tourism Association and Rural Business Forums to engage businesses. • Annual consultation with residents on our budget. • We carry out a survey of residents every other year. • We launched a new website in 2013. • We ran a programme of neighbourhood action planning 	<ul style="list-style-type: none"> • Consultation feedback for example from the budget and Local Plan development. • Focus groups to inform policies and plans as they develop. • Cabinet Roadshows in 2014 on the Budget and Strategic Plan. • Series of events and consultation via survey for the Economic Development Strategy. • A new Communication and Engagement Strategy was agreed in 2015. • Community Development Strategy • Single point of contact for businesses in the Borough established through the Economic Development Team Business Visits, Business Breakfasts and Lunch with Mayor held in order to develop better relationships with the business community. • Budget Roadshows and/or online consultation. • Resident Survey • Website tested by residents to ensure it is user

Principle	Governance Mechanism (what we are doing)	Assurance
	<p>(action plans to address issues identified by residents)working locally with you to identify how we can improve where you live.</p> <ul style="list-style-type: none"> • Regular consultation with residents to inform our decision making. 	<p>friendly.</p> <ul style="list-style-type: none"> • Neighbourhood action was reviewed and monitored by scrutiny.

4 REVIEW OF EFFECTIVENESS

- 4.1 Maidstone Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of corporate governance and internal control. This is undertaken by the Corporate Leadership Team. The review of effectiveness undertaken in 2014/15 is informed by the work of the internal auditors and the Council's Senior Officers who have responsibility for the development and maintenance of the overall governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.
- 4.2 The Council's internal audit service (Mid Kent Audit) has been provided since 2010 through a four way shared service partnership with Ashford, Tunbridge Wells and Swale Borough Councils. Internal audit works to a plan discussed and agreed with officers and Members, at the Audit Committee on 25 March 2013.
- 4.3 The overall conclusions of the work of Internal Audit will be presented to the Audit Committee on 20 July 2015 in the Internal Audit Annual Report. This report includes the Head of Internal Audit Opinion, issued in line with Public Sector Internal Audit Standards and covering the period 1 April 2014 to 31 March 2015.
- 4.4 The Head of Internal Audit Opinion considered the Council's internal control, corporate governance and risk management arrangements, informed by work completed during 2014/15. The Head of Audit Partnership issued an unqualified opinion:

4.5 Internal control

- 4.5.1** *"From the Internal Audit work undertaken in relation to 2014/15 it is my opinion that I can provide assurance that the system of internal control that has been in place at Maidstone Borough Council (the Council) for the year ended 31 March 2015 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review."*

4.6 Corporate governance

- 4.6.1** *"In my opinion the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE."*

4.7 Risk management

4.7.1 "I am satisfied that the risk management processes are effective and provide regular information on key risks and issues to the Council's management team and through to Members."

4.8 Audit reports are generally graded individually to report on the level of assurance available to the Council from the area under review. Conclusions for this year were:

Level of Assurance	Description	Number of Projects
STRONG	Service/system is performing well	4
SOUND	Service/system is operating effectively	11
WEAK	Service/system requires support to consistently operate effectively	4
POOR	Service/system is not operating effectively	0
NOT RATED		10

4.9 Of the four reports which received weak assurance:

- **ICT Service Desk (Mid Kent ICT):** The audit highlighted inconsistencies in how incidents are logged, categorised and handled. The service lacked defined procedures and guidance to ensure service delivery in accordance with the ICT collaboration agreement. All recommendations were accepted and the service has taken part in a special meeting of the shared service board dedicated to addressing the issues raised. The recommendations fall due for implementation in 2015/16 and will be fully followed up by the internal audit team.

- **Emergency Planning:** The audit highlighted weaknesses in the plans and processes leaving the Council potentially vulnerable in being able to deal effectively with larger or more sustained events. Over the course of the year, the service has made significant progress to implement the recommendations and address the issues identified in the review. At the close of 2014/15 there were 2 outstanding recommendations due to be implemented in early 2015/16. The level of assurance offered will be re-assessed in early 2015/16.
- **Data Protection:** The audit highlighted some areas of non-compliance with the data protection principles. This included uncertainty on retention and destruction of data, and weaknesses in processing, receiving and transporting data. All of the recommendations were accepted by management, and an action plan was reviewed by the Council’s Information Management Group. The recommendations fall due for implementation in 2015/16 and will be fully followed up by the internal audit team.
- **Officers Declarations of Interest:** The audit identified weaknesses in the design and operation of system and procedures to collect and monitor officer’s interests. Since the review responsibility for the declarations process has been allocated to the Council’s Monitoring Officer and Mid Kent Legal Services. All recommendations were accepted and fall due in 2015/16 for follow up.

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- 4.10 During 2014/15 a revised follow up process was implemented. All agreed audit recommendations are now followed up as they fall due, and are reported quarterly to senior management. Progress against the implementation of the audit recommendations is also reported twice yearly to Audit Committee. Progress made to date with those reviews that received weak assurance will be monitored in the action plan for 2015/16 in section 5.
- 4.11 The Council is able to confirm that its financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).
- 4.12 A number of areas were identified in the proceeding statement where action is required these have been included within our significant governance issues for 2015-16 action plan below.

5 SIGNIFICANT GOVERNANCE ISSUES

Action taken to address governance issues in 2014-15

Governance Issue	Action Taken	By When	By Whom
Implementation of the Information Management Action Plan	<p>The Information Management Strategy has been to Leadership Team including an action plan and resources required.</p> <p>Information Management Group meet regularly.</p> <p>Information liaison Officers identified throughout the Council.</p> <p>Intranet pages and guidance updated for Information Management.</p>	The action plan has targets for the next year.	Head of Policy and Communications
Embedding Corporate Governance and Ensuring Best Practice is identified	<p>The Corporate Governance Working Group have met quarterly.</p> <p>The Head of Policy and Communications is undertaking a CIPFA certificate in corporate governance certificate and has been sharing learning from this with the</p>	Quarterly meetings with updates to Audit Committee and CLT every six months.	Head of Policy and Communications

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Governance Issue	Action Taken	By When	By Whom
	group and the Chief Executive to improve governance.		
A new Communication and Engagement Strategy will be put in place to run from 2015-2020 alongside the Strategic Plan	Strategy Approved and Action Plan in progress.	April 2015	Head of Policy and Communications
The residents survey identified that more work needed to be done on developing residents involvement in decision making as only 29% of respondents believe they can influence decision making in their area.	<p>The council held several events to engage residents including the budget and strategic plan roadshow and events and consultation on the Economic Development Strategy.</p> <p>The Strategic Leadership and Corporate Services Overview and Scrutiny Committee held a session to consider actions to increase resident involvement in decision making.</p>	April 2015	Head of Policy and Communications
Updating the Strategic Risk Register	The Council has agreed a new approach to Strategic Risk Management.	June 2015	Policy and Resources Committee
Audit Reviews with Limited Assurance:	Action Plans have been put in place and reported to the Audit Committee.	Reported during 2014-15	Head of Housing and Community Services

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Governance Issue	Action Taken	By When	By Whom
Housing			Head of Policy and Communications
Freedom of Information			Head of Commercial and Economic Development
Museum Collections			

Actions for 2015-16 as identified in the current Annual Governance Statement

Governance Issue	Action	By When	By Whom
Implementation of the Information Management Action Plan	The Information Management Strategy has been to Leadership Team including an action plan and resources required.	Actions completed as timetabled throughout 2015-16	Head of Policy and Communications
Embedding Corporate Governance and Ensuring Best Practice is identified	The Corporate Governance Working Group will continue.	Quarterly meetings with updates to Audit Committee and CLT every six months.	Head of Policy and Communications
Communication and Engagement of the New Strategic Plan	Strategy and Annual Action Plan approved Engagement Plan in place for Employees.	Action plan covers 2015-16	Head of Policy and Communications Learning and Development Manager
The residents survey identified that more work needed to be done	The Communication and Engagement action plan for 2015-16 includes actions to run you said we	Action plan covers 2015-16	Head of Policy and Communications

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Governance Issue	Action	By When	By Whom
<p>on developing residents involvement in decision making as only 29% of respondents believe they can influence decision making in their area.</p>	<p>did campaigns.</p> <p>The plan also includes actions to promote the new committee system of governance including public question time at meetings.</p> <p>Webcasting is being reviewed including looking at how to have more resident engagement in meetings.</p> <p>There will be a resident survey in Autumn 2015 to which will identify the progress that has been made.</p>		
<p>Updating the Strategic Risk Register</p>	<p>A framework has now been approved and risks now need to be identified and managed.</p> <p>Audit attendance at service management meetings and project boards across the Council to develop service/project risk registers.</p> <p>Based on the strategic plan, risk workshop with senior officers and Members looking to refresh and update</p>	<p>June 2015</p> <p>July-October 2015</p> <p>Autumn 2015</p>	<p>Director of Environment and Shared Services supported by the Head of Audit Partnership</p>

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Governance Issue	Action	By When	By Whom
	<p>the 'strategic' risks.</p> <p>First comprehensive risk register compiled by audit.</p> <p>First summary risk register review by Corporate Leadership Team.</p> <p>First summary risk register review by Policy and Resources.</p> <p>Risks refreshed as part of revised service planning process.</p> <p>Audit, Governance and Standards Committee review of effectiveness of the risk management process.</p>	<p>November 2015</p> <p>December 2015</p> <p>January 2016</p> <p>Spring 2016</p> <p>Spring/Summer 2016</p>	
Disaggregation of Planning Support Shared Service	Tunbridge Wells Borough Council (TWBC) is exploring withdrawal from the Mid Kent Planning Support partnership. A Planning Support Disaggregation Board has been set up to manage this. Tunbridge Wells will be considering an in-principle decision to withdraw from the partnership on 6 August 2015.	Updates will be given to Councillors via the relevant Service Committee.	Director of Environment and Shared Services
Audit Reviews with weak Assurance.	Action Plans and implementation dates have been put in place and	Actions to be followed up as they fall due.	Head of Policy & Communications

APPENDIX B Maidstone Borough Council – Statement of Accounts 2014/15

Governance Issue	Action	By When	By Whom
	agreed. Two are of particular interest in relation to governance are Data Protection and Emergency Planning Audits.	To be reviewed as part of the six monthly review of the annual governance statement action plan	Director of Environment and Shared Services
New Committee System of Governance	A review of the effectiveness of the new system to identify what is working well and any improvements that need to be made will be carried out by the Democracy Committee in early 2016, this could involve external assistance if appropriate.	March 2016	Democracy Committee
Appointment of Mayor	The Democracy Committee will be carrying out a review of the process for appointing the Mayor.	February 2016	Democracy Committee supported by Democratic Services

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6 Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

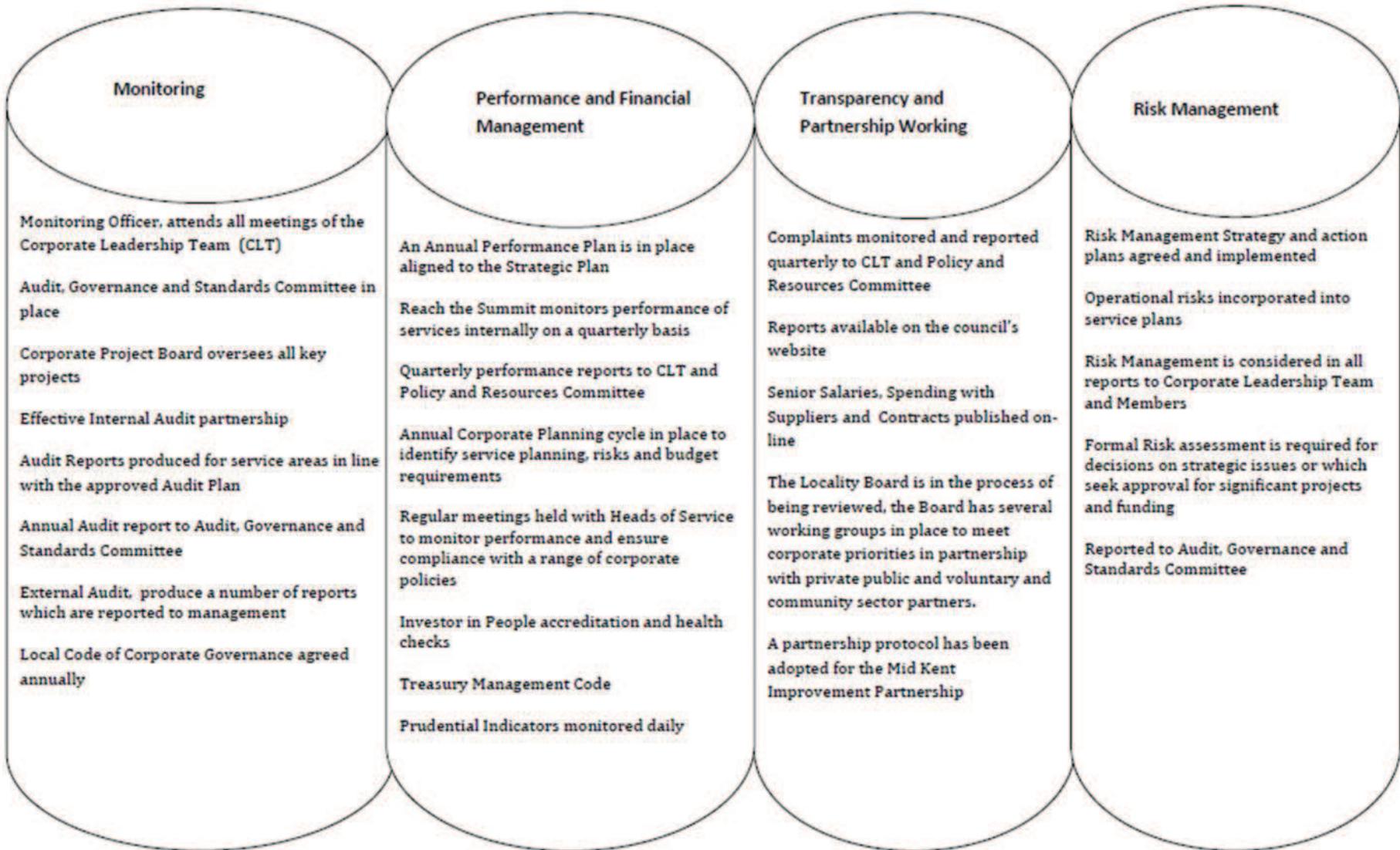
Leader of the Council: _____

Date: _____

Chief Executive: _____

Date: _____

Appendix A - Pillars of Governance



GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

APPENDIX C

Grant Thornton UK LLP
Fleming Way
Manor Royal
Crawley
RH10 9GT

September 2015

Dear Sirs

Maidstone Borough Council

Financial Statements for the year ended 31 March 2015

This representation letter is provided in connection with the audit of the financial statements of Maidstone Borough Council for the year ended 31 March 2015 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view in accordance with the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2014/15 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 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 2014/15 ("the Code"); which give a true and fair view 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 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.
- vi. 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. There are no other material judgements that need to be disclosed.
- 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. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme 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.
- ix. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of the Code.
- x. All events subsequent to the date of the financial statements and for which the Code requires adjustment or disclosure have been adjusted or disclosed.
- xi. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of the Code.
- xii. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.
- xiv. We believe that the Council's financial statements should be prepared on a going concern basis on the grounds that current and future sources of funding or support will be more than adequate for the Council's needs. 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.
- xv. We confirm that we are satisfied that the carrying value of those property, plant and equipment assets not subject to revaluation during 2014/15 is not materially different to their fair value as at 31 March 2015

Information Provided

- xvi. We have provided you with:
 - a. access to all information of which we are aware that is relevant to the preparation of the 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. unrestricted access to persons within the Council from whom you determined it necessary to obtain audit evidence.

- xvii. We have communicated to you all deficiencies in internal control of which management is aware.

- xviii. All transactions have been recorded in the accounting records and are reflected in the financial statements.

- xix. 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.

- xx. We have disclosed to you all our knowledge of fraud or suspected fraud affecting the Council involving:
 - 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.

- xxi. We have disclosed to you all our knowledge of any allegations of fraud, or suspected fraud, affecting the Council's financial statements communicated by employees, former employees, regulators or others.

- xxii. 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.

- xxiii. We have disclosed to you the identity of all the Council's related parties and all the related party relationships and transactions of which we are aware.

- xxiv. 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

- xxv. 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.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 21 September 2015.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council