

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Wednesday 29 July 2020

Time: 6.30 p.m.

Venue: Remote Meeting - The public proceedings of the meeting will be broadcast live and recorded for playback on the Maidstone Borough Council website

Membership:

Councillors Adkinson (Vice-Chairman), Brindle, Coulling (Parish Representative), Cox, Daley, Fissenden, Harvey (Chairman), Perry, Round and Titchener (Parish Representative)

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

<u>AGENDA</u>	<u>Page No.</u>
1. Apologies for Absence	
2. Notification of Substitute Members	
3. Urgent Items	
4. Notification of Visiting Members	
5. Disclosures by Members and Officers	
6. Disclosures of Lobbying	
7. To consider whether any items should be taken in private because of the possible disclosure of exempt information	
8. Minutes of the meeting held on 16 March 2020	1 - 9
9. Question and answer session for members of the public (if any)	
10. Questions from Members to the Chairman (if any)	
11. Committee Work Programme	10 - 11
12. Consultation on Draft Model Code of Conduct	12 - 42
13. Annual Governance Statement 2019-20 and Updated Local Code of Corporate Governance	43 - 93

Issued on Tuesday 21 July 2020

Continued Over/:



Alison Broom, Chief Executive

14. Annual Internal Audit Report & Opinion 2019/20	94 - 143
15. Treasury Management Annual Review 2019/20	144 - 153
16. Accounts 2019/20	154 - 291
17. Budget Strategy - Risk Assessment Update	292 - 307

INFORMATION FOR THE PUBLIC

In order to ask a question at this remote meeting, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Monday 27 July 2020). You will need to provide the full text in writing.

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

In order to submit a written statement in relation to an item on the agenda, please call **01622 602899** or email committee@maidstone.gov.uk by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Monday 27 July 2020). You will need to tell us which agenda item you wish to comment on.

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

To find out more about the work of the Committee, please visit www.maidstone.gov.uk.

MAIDSTONE BOROUGH COUNCIL

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

MINUTES OF THE MEETING HELD ON 16 MARCH 2020

Present: Councillor Harvey (Chairman) and
Councillors Adkinson, Brindle, Cox, Coulling
(Parish Representative) Garten and Purle

Also Present: Ms Tina James and Mr Paul Dossett –
Grant Thornton (External Auditor)

82. APOLOGIES FOR ABSENCE

It was noted that apologies for absence had been received from Councillors Daley, Fissenden, McLoughlin, Perry, Round and Titchener (Parish Representative).

83. NOTIFICATION OF SUBSTITUTE MEMBERS

The following Substitute Members were noted:

Councillor Garten for Councillor Round
Councillor Purle for Councillor Perry

84. URGENT ITEMS

There were no urgent items.

85. NOTIFICATION OF VISITING MEMBERS

There were no Visiting Members.

86. DISCLOSURES BY MEMBERS AND OFFICERS

There were no disclosures by Members or Officers.

87. DISCLOSURES OF LOBBYING

There were no disclosures of lobbying.

88. EXEMPT ITEMS

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

89. MINUTES OF THE MEETING HELD ON 13 JANUARY 2020

RESOLVED: That the Minutes of the meeting held on 13 January 2020 be approved as a correct record and signed.

90. QUESTION AND ANSWER SESSION FOR MEMBERS OF THE PUBLIC

There were no questions from members of the public.

91. QUESTIONS FROM MEMBERS TO THE CHAIRMAN

There were no questions from Members to the Chairman.

92. COMPLAINTS RECEIVED UNDER THE MEMBERS' CODE OF CONDUCT

The Principal Solicitor, Contentious and Corporate Governance, introduced her report providing an update on complaints received under the Members' Code of Conduct during the period 1 September 2019 to 29 February 2020. It was noted that:

- Since the last report to the Committee on 16 September 2019, there had been two new Parish Council complaints. The first was an allegation of failure to disclose a pecuniary interest to the Monitoring Officer within the required timeframe and the second was an allegation of bullying and bringing the Member's office into disrepute. Both complaints were currently under consideration.
- No complaints had been made against Borough Councillors during this period.

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

- She could not confirm whether the Parish Councillors concerned had received appropriate training, but training was available. She had made a note of the suggestion by the Parish representative in attendance that if any further complaints were received against Parish Councillors, then the Parish Clerk(s) be asked whether the subject Members had received training, were they offered training and did they accept it.
- Informal resolutions to complaints and sanctions following hearings allowed a requirement for training, so if there had been no training there was a high likelihood that it would be one of the recommendations.

RESOLVED: That the update on complaints received under the Members' Code of Conduct during the period 1 September 2019 to 29 February 2020 be noted.

93. FRAUD & COMPLIANCE TEAM UPDATE

The Head of Revenues and Benefits Shared Service presented her report providing an update on the work undertaken by the Revenues and Benefits Fraud and Compliance Team. It was noted that:

- In 2016, the responsibility for investigating Housing Benefit fraud was transferred from the Council's Housing Benefit Service to the Department for Work and Pensions. The Council took the decision to continue with a shared Fraud Team as part of Mid-Kent Services to investigate fraud and error within the Council Tax and Business Rates systems.
- The Team covered Maidstone, Swale and Tunbridge Wells Borough Councils and was funded mainly by the Kent County Council as a precepting authority with the expectation of a 3:1 return on investment.
- The work programme for 2018/19 included activity aimed at addressing fraud and error within the Council Tax system (single person discount), Business Rates system (small business rate relief) and maximising the income to partner authorities through New Homes Bonus. Savings totalling £763,000 had been generated across the three authorities by the Team.
- The focus in the current year had been on the new release of National Fraud Initiative data and small business rate relief accounts. A new system was being implemented for the monitoring of single person discounts and the Team had finished working on the New Homes Bonus project, an exercise which had resulted in savings of £205,800. Savings generated across the three authorities by the Team during 2019/20 amounted to £1.1m to date.

In response to questions, the Head of Revenues and Benefits Shared Service advised the Committee that:

- Comprehensive checks were carried out in respect of single person discount including checking against the electoral roll and credit referencing checks to make sure that there was only one person as shown on the register/applying for any credit.
- The New Homes Bonus related not only to new homes but also to long term empty properties (properties which have been empty for more than two years) brought back into use. For each one of these properties identified as being occupied, the Council was given the sum of £1,400.
- In 2018/19 penalties were introduced whereby those residents who do not report changes in circumstances or who fraudulently make claims are issued with a penalty of £70. In addition to that the Team would seek to claim back any discounts.

RESOLVED: That the update on the work undertaken by the Revenues and Benefits Fraud and Compliance Team be noted.

94. INTERNAL AUDIT & ASSURANCE PLAN 2020/21

The Head of Audit Partnership submitted a report setting out the proposed annual Internal Audit and Assurance Plan for 2020/21. The report detailed how the Plan had been devised, the resources available through the Audit Partnership and the specific audit activities and projects to be delivered over the course of the year.

The Head of Audit Partnership confirmed that he was satisfied that the Plan had been compiled independently and without undue influence from either Officers or Members.

It was noted that:

- The Public Sector Internal Audit Standards require the Audit Partnership to produce and publish a risk based Plan, at least annually, to determine the priorities for the year. In producing the Plan, consideration must be given to input from senior management and Members and the Plan must be aligned to the objectives and risks of the Council. The risk assessment must consider internal and external risks, including global and sector risks. The Internal Audit Team had also undertaken a risk assessment line by line of every service within the Audit Universe (a running record of all services at the Council that Internal Audit might examine).
- To ensure that the Plan remained flexible and responsive to emerging and changing risks throughout the year, a priority rating had been allocated to each of the proposed audit projects. It was the aim to deliver 100% of the high priority rated projects and more than 50% of the medium priority rated projects during the year.
- Having identified the sorts of risks posed, consideration had been given to the quantity and quality of the resources available. The planning estimate for 2020/21 showed 1,810 days across the Partnership for the year available for inclusion in audit plans. The total number of days was then divided between the four Partnership authorities based on the proportions set out in the Collaboration Agreement. Since Maidstone contributed 29%, this amounted to 520 audit days. This was less than in previous years, but the Head of Audit Partnership remained satisfied that the level of resources was sufficient to deliver a robust Audit Plan.
- The Plan also included details of the proposed assurance non-project work that it was proposed to undertake as part of the wider risk, governance and counter fraud support for the Council and of the proposed consultancy work including completing Housing Benefit workbooks and testing for the External Auditor.

- The Public Sector Internal Audit Standards required Mid-Kent Audit to undergo an external quality assessment at least every five years. The IIA undertook the last assessment in spring 2015 and found that Mid-Kent Audit was fully conforming to the Standards. CIPFA had been commissioned to conduct the 2020 external quality assessment and the findings would be reported to the Committee in July together with the Internal Audit Service response. However, the draft findings had concluded that Mid-Kent Audit was fully conforming to the Standards.

In response to questions, the Head of Audit Partnership explained that:

- The intention of the project entitled S106 Agreements was to look at all payments that developers make to the Council to help fund infrastructure, including Community Infrastructure Levy payments. The Plan could be amended to clarify this.
- With regard to the reduction in audit days, there was a need for all departments to make savings and he was satisfied with the way in which they had been achieved and that the Audit Plan was sufficiently robust to achieve objectives.
- Ideally, the Collaboration Agreement would have been renewed before it expired last year. However, he was looking to rectify this and he was satisfied that all four Partner Authorities remained committed to the Internal Audit Service, which was his main priority.
- With regard to the priority ratings allocated to the proposed audit projects, and specifically the priority given to Subsidiary Company Governance and the Local Plan Project Governance Review, consideration had been given to how recently Internal Audit had looked at the area. Subsidiary Company Governance had been looked at quite recently and the Officers had only just finished following up the recommendations arising from the review. Internal Audit would look to see how the Company developed including, potentially, any services that might be offered to the Company at arm's length and how that might function. Last year Internal Audit had undertaken an ongoing piece of consultancy work looking at the Local Plan as it developed. Whilst both areas were strategically important the priority rating reflected the amount of good recent intelligence which meant that the risk of the Internal Audit assessment of the rating being wrong was less. However, both projects were in the upper part of the medium priority list so he expected that they would be delivered this year.
- The acquisition of data analytic software had been raised by the external quality assessor and the report to the Committee in July would include reference to the types of software packages that might be looked at and how they might be used to deliver areas of the Audit Plan.
- The compilation of the Audit Plan independently and without inappropriate influence from Members or Officers was crucial, but he

was always happy to take information on board to inform the selection of audit projects.

- Diminished reputation would make it more difficult for the Council to achieve its objectives so that would feature in the consideration of risk factors when compiling the Audit Plan.
- A report would be submitted to the July meeting of the Committee setting out details of the findings of the Internal Audit review of Health and Safety and the actions taken by the Council to address the recommendations.

The Chairman thanked the Head of Audit Partnership and his Team for their work.

RESOLVED:

1. That the Internal Audit and Assurance Plan for 2020/21, attached as Appendix 1 to the report of the Head of Audit Partnership, be approved.
2. That the Head of Audit Partnership's view that the Partnership currently has enough resources to deliver the Plan and a robust Head of Audit opinion be endorsed.
3. That the Head of Audit Partnership's assurance that the Plan is compiled independently and without inappropriate influence from management be endorsed.

95. ANTI-MONEY LAUNDERING POLICY AND GUIDANCE

The Head of Finance introduced the report setting out an updated version of the Council's Anti-Money Laundering Policy and Guidance to various stakeholders on how to prevent, detect and report cases of fraud through money laundering. The Head of Finance explained that:

- The first draft of the updated Policy was reported to the Committee in January 2020 when it was agreed that the document should be reviewed in the light of comments made by Members. Since then, the Finance Manager had reviewed the document in consultation with Councillor Adkinson and the main amendments following the review were:

Paragraph 2.2 – Removal of a named Officer as the Money Laundering Reporting Officer, leaving it as the Director of Finance and Business Improvement (S151 Officer) which meant that it would not be necessary to amend the Policy in the event of staff changes.

Paragraphs 3.2 and 4.1 – Reducing the large volume/value cash transactions for single transactions and/or two or more transactions which appear to be linked from £10,000 to £5,000.

Paragraph 4.2 – Keeping a register of all cash transactions over £2,000 to review who is making large cash payments to the Council.

- Amendments had also been made to make the document gender neutral.
- The document now reflected best practice guidance from the financial and legal professions, including CIPFA.

In response to questions, the Director of Finance and Business Improvement advised the Committee that:

- This Policy related to cash transactions so payments through a bank for example would not count. So far as making linked payments was concerned, there was a risk that they might not be identified but he would hope that seeing a number of similar amounts from the same payer would be flagged up and it would then be treated as a cash amount of over £2,000 if it could be identified that the payments were linked.
- Although the Policy did not specifically say so, Officers would consider the need to undertake the sort of risk assessment required by Regulation 18 of the Money Laundering Regulations 2017.

During the discussion on this report, it was pointed out that paragraphs 1.4 and 3.1 of the revised Policy should be amended to correctly reflect the Money Laundering **Regulations 2017**.

The Chairman thanked Councillor Adkinson for his work on the updated Policy.

RESOLVED: That subject to paragraphs 1.4 and 3.1 of the Policy being amended to correctly reflect the Money Laundering Regulations 2017, the Council's updated Anti-Money Laundering Policy, attached as Appendix A to the report of the Head of Finance, be adopted and the Director of Finance and Business Improvement (S151 Officer) be confirmed as the Council's Money Laundering Reporting Officer.

96. EXTERNAL AUDIT PLAN 2019/20

Ms Tina James, accompanied by Mr Paul Dossett, presented the External Auditor's Audit Plan for delivering the audit of the 2019/20 financial statements and value for money conclusion. The report included details of the significant risks identified, the concept of materiality and the revised audit fee.

Ms James advised the Committee that the Council would be preparing group financial statements for the first time that consolidate the financial information of Maidstone Property Holdings Limited and the External Auditor would be auditing that consolidation. Also, a lot of work was required to prepare for the new accounting standard which would be effective from 2020/21.

In response to questions, Mr Dossett explained that:

- The additional fees related to a number of issues that had emerged over the last twelve months from the regulatory environment particularly involving the Financial Reporting Council and the requirements they were putting on auditors both in the corporate sector and the public sector, and also the complex new accounting standard. The fee variation proposals had to be agreed with Public Sector Audit Appointments Limited. In terms of the timeliness and resourcing of the audit, the audit had been planned to address some of the issues raised last year. Given the resources that would be available this year, the External Auditor expected to be able to complete the audit by the end of July in accordance with the Audit Plan.
- The External Auditor had limited control over the way that materiality was calculated. Materiality at the planning stage of the audit was £1.9m for the group and £1.8m for the Authority financial statements which equated to 1.9% of the Council's prior year gross expenditure for the year. If the level was set lower, then it would be necessary to undertake more work and the audit fee would increase.

RESOLVED:

1. That the External Auditor's Audit Plan for the year ending 31 March 2020, attached as Appendix 1 to the report of the Head of Finance, be noted.
2. That the revised audit fee of £46,366 for 2019/20 be noted.

97. EXTERNAL AUDIT - PROGRESS REPORT AND SECTOR UPDATE MARCH 2020

Ms Tina James presented the report of the External Auditor on the progress to date against the 2019/20 Audit Plan. The report also provided a summary of emerging national issues and developments of relevance to the local government sector. It was noted that the External Auditor had completed the interim audit. Whilst some issues were still under discussion, no significant issues had been identified from this early substantive testing and documentation of controls.

In response to questions, Mr Dossett explained that with regard to the possibility of lobbying the Government to introduce a staggered timescale for audit reporting so that not every local authority has to report by the same date, there were two issues. Firstly, the impact of the COVID-19 virus and secondly, any changes arising from the Redmond Review of Local Authority Financial Reporting and External Audit. It was recognised that for Officers and auditors, it was very challenging to meet the existing tight timescale.

RESOLVED: That the External Auditor's progress report, attached as Appendix 1 to the report of the Head of Finance, be noted.

98. BUDGET STRATEGY - RISK ASSESSMENT UPDATE

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

The Director of Finance and Business Improvement advised the Committee that:

- Since the preparation of the report there had been further developments. Firstly, the Chancellor's budget and secondly, the implications of the spread of the COVID-19 virus.
- Although there was not much in the Chancellor's budget about local government, the Chancellor did indicate that Public Works Loan Board lending for local authorities would be reviewed and commercial property investments in particular would be looked at. He did not consider that this increased the risks to the Council as it did not invest just in order to generate a commercial return.
- The spread of the COVID-19 virus was likely to have an impact on the Council in terms of disruption to service delivery due to staff absence, reduction in fees and charges income and difficulties in collecting business rates from, for example, the hospitality sector. The assessment of the financial impact was provisional and would need to be reviewed as events unfolded.
- Councillor Coulling had asked that an alternative presentation of the financial assessment of the risks in the form of a bar chart be used to augment the matrix set out in the report. He would be happy to adopt Councillor Coulling's suggestion if it made things clearer for Members.

Members indicated that they would like to proceed with the incorporation of a bar chart presentation of relative risks in future reports on the budget risks facing the Council.

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

99. DURATION OF MEETING

6.30 p.m. to 7.35 p.m.

2020/21 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Review of Maidstone Borough Council Code of Conduct and Arrangements for Dealing with Complaints of Alleged Breaches of the Code	AGS	TBC	Governance	No	Patricia Narebor	Gary Rowland
Consultation on Draft Model Code of Conduct	AGS	29-Jul-20	Governance	No	Patricia Narebor	Gary Rowland
Annual Governance Statement 2019/20 and Local Code of Corporate Governance	AGS	29-Jul-20	Governance	Yes	Angela Woodhouse	Angela Woodhouse
Annual Internal Audit Report and Opinion	AGS	29-Jul-20	Governance	No	Rich Clarke	Rich Clarke
Annual Accounts 2019/20	AGS	29-Jul-20	Governance	No	Mark Green	Paul Holland
Budget Strategy Risk Assessment Update	AGS	29-Jul-20	Officer Update	No	Mark Green	Mark Green
Treasury Management Annual Review 2019/20	AGS	29-Jul-20	Governance	No	Mark Green	John Owen
Update on Draft Model Code of Conduct	AGS	14-Sep-20	Officer Update	No	Patricia Narebor	Gary Rowland
Code of Conduct Matters - Six Month Update	AGS	14-Sep-20	Officer Update	No	Patricia Narebor	Jayne Bolas
Annual Complaints Report 2019/20	AGS	14-Sep-20	Governance	No	Angela Woodhouse	Anna Collier
AGS Committee Annual Report 2019/20	AGS	14-Sep-20	Governance	No	Rich Clarke	Rich Clarke
Updated Internal Audit and Assurance Plan 2020/21	AGS	14-Sep-20	Governance	Yes ?	Rich Clarke	Rich Clarke
Budget Strategy Risk Assessment Update	AGS	14-Sep-20	Officer Update	No	Mark Green	Mark Green
Information Management and GDPR Action Plan Update	AGS	16-Nov-20	Officer Update	No	Angela Woodhouse	Angela Woodhouse
External Audit Fee Letter	AGS	16-Nov-20	Governance	No	Mark Green	Ellie Dunnet
Audit Progress Report and Sector Update	AGS	16-Nov-20	Governance	No	Mark Green	Ellie Dunnet
External Auditor's Annual Audit Letter	AGS	16-Nov-20	Governance	No	Mark Green	Ellie Dunnet
Internal Audit Interim Report 2020/21	AGS	16-Nov-20	Officer Update	No	Rich Clarke	Rich Clarke

2020/21 WORK PROGRAMME

	Committee	Month	Origin	CLT to clear	Lead	Report Author
Treasury Management Mid-Year Review 2020/21	AGS	16-Nov-20	Governance	No	Mark Green	John Owen
Budget Strategy Risk Assessment Update	AGS	16-Nov-20	Officer Update	No	Mark Green	Mark Green
Housing Benefit Grant Claim	AGS	18-Jan-21	Governance	No	Sheila Coburn	Liz Norris
Annual Governance Statement Update	AGS	18-Jan-21	Officer Update	No	Angela Woodhouse	Angela Woodhouse
Annual Risk Management Report	AGS	18-Jan-21	Governance	Yes	Rich Clarke	Alison Blake
Treasury Management, Investment and Capital Strategy	AGS	18-Jan-21	Strategy Update	No	Mark Green	John Owen
Budget Strategy Risk Assessment Update	AGS	18-Jan-21	Officer Update	No	Mark Green	Mark Green
Information Management and GDPR Action Plan Update	AGS	15-Mar-21	Officer Update	No	Angela Woodhouse	Angela Woodhouse
Fraud and Compliance Team Update	AGS	15-Mar-21	Officer Update	No	Sheila Coburn	Sheila Coburn
Internal Audit and Assurance Plan 2021/22	AGS	15-Mar-21	Governance	Yes ?	Rich Clarke	Rich Clarke
External Audit Plan 2020/21	AGS	15-Mar-21	Governance	No	Mark Green	Ellie Dunnet
External Auditor's Progress Report and Sector Update March 2021	AGS	15-Mar-21	Governance	No	Mark Green	Ellie Dunnet
Budget Strategy Risk Assessment Update	AGS	15-Mar-21	Officer Update	No	Mark Green	Mark Green
Code of Conduct Matters - Six Month Update	AGS	15-Mar-21	Officer Update	No	Patricia Narebor	Jayne Bolas

Agenda Item 12

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

29 July 2020

CONSULTATION ON DRAFT MODEL CODE OF CONDUCT

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Head of Service	Patricia Narebor, Head of Legal Partnership
Lead Officer and Report Author	Gary Rowland, Senior Lawyer Corporate Governance
Classification	Public
Wards affected	All

Executive Summary

The Local Government Association ("LGA") has committed to reviewing the current model member code of conduct, as recommended by the Committee on Standards in Public Life's report into Local Government Ethical Standards.

This report makes the following recommendations to this Committee:

1. That the Audit, Governance and Standards Committee note the information set out in this report.

Timetable

Meeting	Date
Maidstone Leadership Forum	25 June 2020
Audit, Governance and Standards Committee	29 July 2020

CONSULTATION ON DRAFT MODEL CODE OF CONDUCT

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	High standards of conduct are essential amongst Members in delivering the Council's priorities. The model Code of Conduct consultation supports this.	Principal Solicitor, Governance
Cross Cutting Objectives	No implications.	Principal Solicitor, Governance
Risk Management	This report is presented for information only and has no risk management implications. An effective Code of Conduct and robust complaints procedure minimises the risk of Member misconduct and is part of an effective system of governance.	Principal Solicitor, Governance
Financial	No implications.	Principal Solicitor, Governance
Staffing	No implications.	Principal Solicitor, Governance
Legal	It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life. The Members' Code of Conduct was adopted by Full Council and can be found within the Council's Constitution that can be viewed on the Council's website. The reporting process ensures that the Committee continues its oversight of the Code of Conduct as required by the Constitution.	Team Leader (Corporate Governance), MKLS
Privacy and Data Protection	No personal information is provided as part of the report.	Principal Solicitor, Governance
Equalities	No implications.	Principal Solicitor, Governance
Public Health	No implications.	Principal Solicitor, Governance

Crime and Disorder	No implications.	Principal Solicitor, Governance
Procurement	No implications.	Principal Solicitor, Governance

2. INTRODUCTION AND BACKGROUND

2.1 The Committee on Standards in Public Life is an independent, advisory, non-departmental public body, with a secretariat and budget provided by the Cabinet Office. It is responsible for:

- advising the Prime Minister on ethical issues relating to standards in public life
- conducting broad inquiries into standards of conduct;
- making recommendations as to changes in present arrangements; and
- promoting the 7 principles of public life.

2.2 The LGA held an event on Civility in Public Life with a range of stakeholders at the end of 2019 and three consultation workshops at the beginning of 2020. LGA Consultants have also examined examples of good practice, both in local government and other professions. The LGA consultation draft model member code of conduct is the result of this initial work.

2.3 It is the intention to create additional guidance, working examples and explanatory text. The LGA very much welcome comment on the consultation draft and would particularly like to know if it stands up to the new ways of working that have been introduced and gives enough of a steer on social media and online activity.

2.4 A copy of the LGA Model Code of Conduct is attached at [Appendix 1](#).

Timescales and Providing Comments

2.5 The consultation on the draft member code of conduct will run for 10 weeks from Monday 8 June until Monday 17 August 2020. The LGA hope this will provide officers and members with enough time to reflect on the draft model member code of conduct and provide them with feedback whilst they continue to respond to the COVID-19 crisis.

2.6 To facilitate the consultation, the LGA have produced an online consultation questionnaire. The questionnaire is designed for both members and officers and can be accessed at the following link:
https://research.local.gov.uk/jfe/form/SV_bIupYNXmiJ0xECV

2.7 A copy of the questionnaire can be found at [Appendix 2](#).

2.8 The LGA are also happy to receive narrative responses from council officers, members or stakeholder groups via email at ModelCode@local.gov.uk.

- 2.9 Questions regarding the consultation and/or code of conduct work can also be emailed to this address.
- 2.10 If you are interested in discussing the draft code in more detail, the LGA will be holding a number of webinars over the summer. The details will be on the LGA events page at the following link - <https://www.local.gov.uk/events>.
- 2.11 The feedback from the consultation will assist the LGA in developing a final draft, which will be reviewed by the LGA's Executive Advisory Board before being presented to the next LGA General Assembly, which is currently scheduled to be held in the autumn of 2020.
- 2.12 Following this, a report will be prepared for the Audit, Governance and Standards Committee so that an update can be provided for the September 2020 meeting.
- 2.13 The information set out in this report was provided to all group leaders in June 2020 and has also been sent to all Parish Clerks within the Maidstone Borough.

3. AVAILABLE OPTIONS

- 3.1 That the Committee note the update on the model Code of Conduct consultation.

4. REPORT APPENDICES

Appendix 1 - Copy of the LGA Model Code of Conduct.

Appendix 2 - Copy of the LGA questionnaire.

APPENDIX 1

Local Government Association Model Member Code of Conduct

Introduction

The Local Government Association (LGA) is providing this Model Member Code of Conduct as part of its work on supporting the sector to continue to aspire to high standards of leadership and performance.

The role of councillor in all tiers of local government is a vital part of our country's system of democracy. In voting for a local councillor, the public is imbuing that person and position with their trust. As such, it is important that as councillors we can be held accountable and all adopt the behaviours and responsibilities associated with the role. The conduct of an individual councillor affects the reputation of all councillors. We want the role of councillor to be one that people aspire to and want to participate with. We want to continue to attract individuals from a range of backgrounds and circumstances who understand the responsibility they take on and are motivated to make a positive difference to their local communities.

All councils are required to have a local Member Code of Conduct. This Model Member Code of Conduct has been developed in consultation with the sector and is offered as a template for councils to adopt in whole and/or with local amendments. The LGA will undertake an annual review of the Code to ensure it continues to be fit-for-purpose, particularly with respect to advances in technology, social media and any relevant changes in legislation. The LGA can also offer support, training and mediation to councils and councillors on the application of the Code, whilst the National Association of Local Councils (NALC) and the county associations of local councils can offer advice and support to town and parish councils.

As a councillor we all represent local residents, work to develop better services and deliver local change. The public have high expectations of us and entrust us to represent everyone (in our ward/town/parish), taking decisions fairly, openly, transparently and with civility. Councillors should also be treated with civility by members of the public, other councillors and council employees. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations. This Code, therefore, has been designed to protect our democratic role, encourage good conduct and safeguard the public's trust in local government.

Councillor Izzi Seccombe OBE
Leader, LGA Conservative Group

Councillor Nick Forbes CBE
Leader, LGA Labour Group

Councillor Howard Sykes MBE
Leader, LGA Liberal Democrats Group

Councillor Marianne Overton MBE
18 Leader, LGA independent Group

Purpose

The purpose of this Code of Conduct is to assist councillors in modelling the behaviour that is expected of them, to provide a personal check and balance, and to set out the type of conduct against which appropriate action may be taken. It is also to protect yourself, the public, fellow councillors, council officers and the reputation of local government. It sets out the conduct expected of all members and a minimum set of obligations relating to conduct. The overarching aim is to create and maintain public confidence in the role of member and local government.

Application of the Code

The Code of Conduct applies to you when you are acting [or claiming or giving the impression that you are acting]¹ in [public or in]² your capacity as a member or representative of your council, although you are expected to uphold high standards of conduct and show leadership at all times. The Code applies to all forms of member communication and interaction, including written, verbal, non-verbal, electronic and via social media, [including where you could be deemed to be representing your council or if there are potential implications for the council's reputation.] Model conduct and expectations is for guidance only, whereas the specific obligations set out instances where action will be taken.

The seven principles of public life

Everyone in public office at all levels – ministers, civil servants, members, council officers – all who serve the public or deliver public services should uphold the seven principles of public life. This Code has been developed in line with these seven principles of public life, which are set out in appendix A.

Model member conduct

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

- act with integrity and honesty
- act lawfully
- treat all persons with civility; and
- lead by example and act in a way that secures public confidence in the office of councillor

In undertaking my role, I will:

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

Specific obligations of general conduct

This section sets out the minimum requirements of member conduct. Guidance is included to help explain the reasons for the obligations and how they should be followed. These obligations must be observed in all situations where you act [or claim or give the impression that you are acting] as a councillor [or in public], including representing your council on official business and when using social media.

As a councillor I commit to:

Civility

- 1. Treating other councillors and members of the public with civility.**
- 2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.**

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

In your contact with the public you should treat them courteously. Rude and offensive behaviour lowers the public's expectations and confidence in its elected representatives.

In return you have a right to expect courtesy from the public. If members of the public are being abusive, threatening or intimidatory you are entitled to close down any conversation in person or online, refer them to the council, any social media provider or if necessary, the police. This also applies to members, where action could then be taken under the Member Code of Conduct.

Bullying and harassment

- 3. Not bullying or harassing any person.**

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

The Equality Act 2010 defines harassment as 'unwanted conduct related to a relevant protected characteristic, which has the purpose or effect of violating an individual's dignity or creating an intimidating, hostile, degrading, humiliating or offensive environment for that individual'. The relevant protected characteristics are age, disability, gender reassignment, race, religion or belief, sex, and sexual orientation.

Impartiality of officers of the council

- 4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.**

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

Confidentiality and access to information

- 5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.**
- 6. Not preventing anyone getting information that they are entitled to by law.**

Local authorities must work openly and transparently, and their proceedings and

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

Disrepute

7. Not bringing my role or council into disrepute.

Behaviour that is considered dishonest and/or deceitful can bring your council into disrepute. As a member you have been entrusted to make decisions on behalf of your community and your actions and behaviour are subject to greater scrutiny than that of ordinary members of the public. You should be aware that your actions might have an adverse impact on other councillors and/or your council.

Your position

8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.

Your position as a member of the council provides you with certain opportunities, responsibilities and privileges. However, you should not take advantage of these opportunities to further private interests.

Use of council resources and facilities

9. Not misusing council resources.

You may be provided with resources and facilities by the council to assist you in carrying out your duties as a councillor. Examples include office support, stationery and equipment such as phones, and computers and transport. These are given

to you to help you carry out your role as a councillor more effectively and not to benefit you personally.

Interests

10. Registering and declaring my interests.

You need to register your interests so that the public, council employees and fellow members know which of your interests might give rise to a conflict of interest. The register is a document that can be consulted when (or before) an issue arises, and so allows others to know what interests you have, and whether they might give rise to a possible conflict of interest. The register also protects you. You are responsible for deciding whether or not you should declare an interest in a meeting, but it can be helpful for you to know early on if others think that a potential conflict might arise.

It is also important that the public know about any interest that might have to be declared by you or other members, so that decision making is seen by the public as open and honest. This helps to ensure that public confidence in the integrity of local governance is maintained. Discuss the registering and declaration of interests with your Monitoring Officer/Town or Parish Clerk and more detail is set out in appendix B.

Gifts and hospitality

11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.

12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.

You should exercise caution in accepting any gifts or hospitality which are (or which you reasonably believe to be) offered to you

because you are a member. However, you do not need to register gifts and hospitality which are not related to your role as a member, such as Christmas gifts from your friends and family, or gifts which you do not accept. However, you may wish to notify your monitoring officer of any significant gifts you are offered but refuse which you think may have been offered to influence you.

Note – items in square brackets [x] refer to recommendations made by the Committee on Standards in Public Life and may be part of a future Government consultation. This includes possible future sanctions and appeals processes.

Breaches of the Code of Conduct

Most councillors conduct themselves appropriately and in accordance with these standards. Members have both individual and collective responsibility to maintain these standards, support expected behaviour and challenge behaviour which falls below expectations.

Section 27 of the Localism Act 2011 requires relevant authorities to promote and maintain high standards of conduct by members and co-opted members of the authority. Each local authority must publish a code of conduct, and it must cover the registration of pecuniary interests, the role of an 'independent person', and sanctions to be imposed on any councillors who breach the Code.

The 2011 Act also requires local authorities to have mechanisms in place to investigate allegations that a member has not complied with the Code of Conduct, and arrangements under which decisions on allegation may be made.

Failure to comply with the requirements to register or declare disclosable pecuniary interests is a criminal offence. Taking part in a meeting or voting, when prevented from doing so by a conflict caused by disclosable pecuniary interests, is also a criminal offence.

Political parties may have its own internal standards and resolution procedures in addition to the Member Code of Conduct that members should be aware of.

Example

LGA guidance and recommendations

Internal resolution procedure

Councils must have in place an internal resolution procedure to address conduct that is in breach of the Member Code of Conduct. The internal resolution process should make it clear how allegations of breaches of the Code of Conduct are to be handled, including the role of an Independent Person, the appeals process and can also include a local standards committee. The internal resolution procedure should be proportionate, allow for members to appeal allegations and decisions, and allow for an escalating scale of intervention. The procedure should be voted on by the council as a whole.

In the case of a non-criminal breach of the Code, the following escalating approach can be undertaken.

If the breach is confirmed and of a serious nature, action can be automatically escalated.

1. an informal discussion with the monitoring officer or appropriate senior officer
2. an informal opportunity to speak with the affected party/ies
3. a written apology
4. mediation
5. peer support
6. requirement to attend relevant training
7. where of a serious nature, a bar on chairing advisory or special committees for up to two months
8. where of a serious nature, a bar on attending committees for up to two months.

Where serious misconduct affects an employee, a member may be barred from contact with that individual; or if it relates to a specific responsibility of the council, barred from participating in decisions or information relating to that responsibility.

Endnotes

1. CSPL recommend that “Section 27(2) of the Localism Act 2011 should be amended to state that a local authority’s code of conduct applies to a member when they claim to act, or give the impression they are acting, in their capacity as a member or as a representative of the local authority”.
2. CSPL recommend that “councillors should be presumed to be acting in an official capacity in their public conduct, including statements on publicly accessible social media. Section 27(2) of the Localism Act 2011 should be amended to permit local authorities to presume so when deciding upon code of conduct breaches.”
3. Subject to footnotes 1 and 2 above
4. See CSPL website for further details www.gov.uk/government/news/the-principles-of-public-life-25-years
5. ACAS’s definition of bullying

Appendices

Code Appendix A

The principles are :

Selflessness

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

Integrity

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

Objectivity

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

Accountability

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

Openness

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

Honesty

Holders of public office should be truthful.

Leadership

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

Code Appendix B

Registering interests

1. Within 28 days of this Code of Conduct being adopted by the council or your election or appointment to office (where that is later) you must register with the Monitoring Officer the interests which fall within the categories set out in Table 1 (Disclosable Pecuniary Interests) and Table 2 (Other Registerable Interests).
2. You must ensure that your register of interests is kept up-to-date and within 28 days of becoming aware of any new interest in Table 1 or 2, or of any change to a registered interest, notify the Monitoring Officer.

Declaring interests

3. Where a matter arises at a meeting which directly relates to an interest in Table 1, you must declare the interest, not participate in any discussion or vote on the matter and must not remain in the room unless granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
4. Where a matter arises at a meeting which directly relates to an interest in Table 2, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

5. Where a matter arises at a meeting which directly relates to your financial interest or well-being (and is not a Disclosable Pecuniary Interest) or a financial interest or well-being of a relative or close associate, you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.
6. Where a matter arises at a meeting which affects –
 - a. your own financial interest or well-being;
 - b. a financial interest or well-being of a friend, relative, close associate; or
 - c. a body covered by table 1 below

you must disclose the interest.

7. Where the matter affects the financial interest or well-being to a greater extent than it affects the financial interests of the majority of inhabitants of the ward affected by the decision and a reasonable member of the public knowing all the facts would believe that it would affect your view of the wider public interest you must declare the interest. You may speak on the matter only if members of the public are also allowed to speak at the meeting but otherwise must not take part in any discussion or vote on the matter and must not remain in the room unless you have been granted a dispensation. If it is a 'sensitive interest', you do not have to declare the nature of the interest.

Table 1: Disclosable Pecuniary Interests

Subject	Description
Employment, office, trade, profession or vocation	Any employment, office, trade, profession or vocation carried on for profit or gain. [Any unpaid directorship.]
Sponsorship	Any payment or provision of any other financial benefit (other than from the council) made to the councillor during the previous 12-month period for expenses incurred by him/her in carrying out his/her duties as a councillor, or towards his/her election expenses. This includes any payment or financial benefit from a trade union within the meaning of the Trade Union and Labour Relations (Consolidation) Act 1992 .
Contracts	Any contract made between the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (or a firm in which such person is a partner, or an incorporated body of which such person is a director* or a body that such person has a beneficial interest in the securities of*) and the council — (a) under which goods or services are to be provided or works are to be executed; and
	(b) which has not been fully discharged.
Land and Property	Any beneficial interest in land which is within the area of the council. ‘Land’ excludes an easement, servitude, interest or right in or over land which does not give the councillor or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners (alone or jointly with another) a right to occupy or to receive income.
Licences	Any licence (alone or jointly with others) to occupy land in the area of the council for a month or longer.
Corporate tenancies	Any tenancy where (to the councillor’s knowledge)— (a) the landlord is the council; and (b) the tenant is a body that the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners is a partner of or a director* of or has a beneficial interest in the securities* of.
Securities	Any beneficial interest in securities* of a body where— (a) that body (to the councillor’s knowledge) has a place of business or land in the area of the council; and (b) either— (i) the total nominal value of the securities* exceeds £25,000 or one hundredth of the total issued share capital of that body; or (ii) if the share capital of that body is of more than one class, the total nominal value of the shares of any one class in which the councillor, or his/her spouse or civil partner or the person with whom the councillor is living as if they were spouses/civil partners has a beneficial interest exceeds one hundredth of the total issued share capital of that class.

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

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

Table 2: Other Registerable Interests

Any Body of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council;	
Any Body—	(a) exercising functions of a public nature;
	(b) directed to charitable purposes; or
	(c) one of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)
of which you are a member or in a position of general control or management.	



Local Government Association

18 Smith Square
London SW1P 3HZ

Telephone 020 7664 3000
Fax 020 7664 3030
Email info@local.gov.uk
www.local.gov.uk

© Local Government Association, May 2020

For a copy in Braille, larger print or audio,
please contact us on 020 7664 3000.
We consider requests on an individual basis.

APPENDIX 2

LGA Consultation on Draft Model Member Code of Conduct

Thank you for taking the time to complete this consultation. This Model Member Code of Conduct [[Model Member Code of Conduct.pdf](#)] aims to be concise, written in plain English and be understandable to members, officers and the public. The Model Member Code is designed to aid members in all tiers of local government model the behaviours and high standards that anyone would expect from a person holding public office. Equally, it articulates behaviour which falls below the standards that would be expected of council members. It is designed to help set a framework for public and councillor interaction, emphasising the importance of civility and that councillors should be protected from bullying, intimidation and abuse.

The LGA has reviewed the existing Model Member Code of Conduct and updated it here incorporating the recommendations from the Committee on Standard's in Public Life's recommendations on Local Government Ethical Standards and the representation from its membership. Part of the Committee's recommendations were the introduction of sanctions for breaches of the code, alongside an appeals process. This aspect is out of scope of this consultation, as it requires legislative changes by Government, but the LGA has sought to reflect some of the possible changes by using square brackets where legal changes would be necessary. The LGA is continuing to take soundings from the sector on the issue of sanctions in anticipation of a Government response to the Committee's recommendations.

This consultation addresses key areas that the LGA would like a view on to help finalise the Code. It is aimed at councillors and officers from all tiers of local government. If you would like a wider discussion about the code, please do sign up to one of the forthcoming Webinars the LGA are holding as part of this consultation. Details will be posted on our [LGA events website](#).

Instructions and privacy notice

You can navigate through the questions using the buttons at the bottom of each page. Use the 'previous' button at the bottom of the page if you wish to amend your response to an earlier question.

All responses will be treated confidentially. Information will be aggregated, and no individual or authority will be identified in any publications without your consent. Identifiable information may be used internally within the LGA but will only be held and processed in accordance with our [privacy policy](#). We are undertaking this consultation to aid the legitimate interests of the LGA in supporting and representing authorities.

Please complete your response in one go - if you exit before submitting your response your answers may be lost. If you would like to see an overview of the questions before completing the consultation online, you can access a PDF [here](#).

About you

Your name _____

Are you...

- A councillor
- An officer
- Answering on behalf of a whole council (Please provide council name below)
- _____
- Other (please specify below)
- _____

Please indicate your council type

- Community/Neighbourhood/Parish/Town
- District/Borough
- County
- Metropolitan/Unitary/London Borough
- Other (please specify below)
- _____

Application of the Code

Under the Localism Act 2012, the Code of Conduct applies to councillors only when they are acting in their capacity as a member. The LGA believes that because councillors are elected by the public and widely recognised by the public, it makes sense for them to continue to model these behaviours when they are making public comment, are identifying as a councillor and when it would be reasonable for the public to identify them as acting or speaking as a councillor. The Committee on Standards in Public Life supported this approach in their report into Local Government Ethical Standards. Whilst the LGA is waiting for Government's response to these recommendations the option has been added in square brackets as it would need changes in legislation.

Q1. To what extent do you support the proposal that councillors demonstrate the behaviours set out in the Code when they are publicly acting as, identifying as, and/or giving the impression that they are acting as a councillor, including when representing their council on official business and when using social media?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q1a. If you would like to elaborate on your answer please do so here:

Q2. Is it sufficiently clear which parts of the Model Code are legal requirements, which are obligations, and which are guidance?

- Yes
- No
- Don't know

Q3. Do you prefer the use of the personal tense, as used in the Code, or would you prefer the passive tense?

- Personal tense ("I will")
- Passive tense ("Councillors should")
- No preference

Specific obligations

The Code lists 12 specific obligations – these set out a minimum standard councillors are asked to adhere to.

Each obligation or group of obligations is put into a wider context to explain why that particular obligation is important.

Q4. To what extent to you support the 12 specific obligations?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
1. Treating other councillors and members of the public with civility.					
2. Treating council employees, employees and representatives of partner organisations and those volunteering for the councils with civility and respecting the role that they play.					
3. Not bullying or harassing any person.					
4. Not compromising, or attempting to compromise, the impartiality of anyone who works for, or on behalf of, the council.					
5. Not disclosing information given to me in confidence or disclosing information acquired by me which I believe is of a confidential nature, unless I have received the consent of a person authorised to give it or I am required by law to do so.					
6. Not preventing anyone getting information that they are entitled to by law.					
7. Not bringing my role or council into disrepute.					
8. Not using, or attempting to use, my position improperly to the advantage or disadvantage of myself or anyone else.					

9. Not misusing council resources.					
10. Registering and declaring my interests.					
11. Not accepting significant gifts or hospitality from persons seeking to acquire, develop or do business with the council or from persons who may apply to the council for any permission, licence or other significant advantage.					
12. Registering with the monitoring officer any gift or hospitality with an estimated value of at least £25 within 28 days of its receipt.					

Q5. If you would like to propose additional or alternative obligations, or would like to provide more comment on a specific obligation, please do so here:

Q6. Would you prefer to see the obligations as a long list followed by the guidance, or as it is set out in the current draft, with the guidance after each obligation?

- As a list
- Each specific obligation followed by its relevant guidance
- No preference

Q7. To what extent do you think the concept of 'acting with civility' is sufficiently clear?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q7a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

Q8. To what extent do you think the concept of 'bringing the council into disrepute' is sufficiently clear?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q8a. If you would like to suggest an alternative phrase that captures the same meaning, or would like to provide a comment on this concept, please do so here:

Q9. To what extent do you support the definition of bullying and harassment used in the code in a local government context?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q9a. If there are other definitions you would like to recommend, please provide them here.

Q10. Is there sufficient reference to the use of social media?

- Yes
- No
- Don't know/prefer not to say

Q10a. Should social media be covered in a separate code or integrated into the overall code of conduct?

- Separate code
- Integrated into the code
- Don't know/prefer not to say

Q10b. If you would like to make any comments or suggestions in relation to how the use of social media is covered in the code please do so here:

Registration and declarations of interests

The law at present requires, as a minimum, registration and declaration of 'Disclosable Pecuniary Interests' - that is matters which directly relate to the councillor and their partner if applicable.

The LGA is proposing that all councillors are required to declare interests where matters also relate to or affect other family members or associates. The LGA has broadened the requirement to declare interests beyond this current statutory minimum in line with a recommendation from the Committee on Standards in Public Life. These specific provisions are set out in **Appendix B** of the Code.

Q11. To what extent do you support the code going beyond the current requirement to declare interests of the councillor and their partner?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q11a. If you would like to elaborate on your answer please do so here:

Q12. Should the requirement to declare interests be in the main body of the code or in the appendix where the draft model code currently references it?

- In the main body of the code
- In the appendix
- Other (please specify below)
- Don't know/prefer not to say

Q12a. If you would like to make any comments or suggestions in relation to how the requirement to declare interests is covered in the code please do so here:

It is also suggested that more outside interests should be registered than is the current statutory minimum. These are set out in **Table 2 of the Appendix** and are designed to demonstrate to the community transparency about other bodies with which the councillor is engaged.

Q13. To what extent do you support the inclusion of these additional categories for registration?

	To a great extent	To a moderate extent	To a small extent	Not at all	Don't know / Prefer not to say
Any organisation, association, society or party of which you are a member or in a position of general control or management and to which you are appointed or nominated by the council					
Any organisation, association, society or party that exercises functions of a public nature of which you are a member or in a position of general control or management					
Any organisation, association, society or party directed to charitable purposes					
Any organisation, association, society or party of whose principal purposes includes the influence of public opinion or policy (including any political party or trade union)					

Q13a. If you would like to propose additional or alternative **categories** for registration, please provide them here:

Q14. To what extent do you support the proposed requirement that councillors do not accept significant gifts as set out in Obligation 11?

- To a great extent
- To a moderate extent
- To a small extent
- Not at all
- Don't know/prefer not to say

Q14a. If you would like to elaborate on your answer please do so here:

Q15. The draft code proposes £25 as the threshold for registering gifts and hospitality. Is this an appropriate threshold?

- Yes
- Yes, but the amount should be reviewed annually with the code's review
- No, it should be lower (please specify amount) _____
- No, it should be higher (please specify amount) _____
- Don't know/prefer not to say

Q16. The LGA will be producing accompanying guidance to the code. Which of the following types of guidance would you find most useful? Please rank 1-5, with 1 being the most useful.

- _____ Regularly updated examples of case law
- _____ Explanatory guidance on the code
- _____ Case studies and examples of good practice
- _____ Supplementary guidance that focuses on specific areas, e.g., social media
- _____ Improvement support materials, such as training and e-learning packages

Q16a. If you would like to suggest any other accompanying guidance please do so here:

Q17. If you would like to make any further comments about the code please do so here:

Once you press the 'Submit' button below, you will have completed your response.

Many thanks for taking the time to respond to this consultation. You are in control of any personal data that you have provided to us in your response. You can contact us at all times to have your information changed or deleted. You can find our full privacy policy here: [click here to see our privacy policy](#)

For information only - Do not complete

Audit, Governance and Standards Committee

29 July 2020

Annual Governance Statement 2019-20 and Local Code of Corporate Governance

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

Executive Summary

Attached at Appendix A is the Annual Governance Statement for 2019-20. The purpose of the Annual Governance Statement is to provide assurance on the Council's governance arrangements. Attached at Appendix B is a refreshed Local Code of Corporate Governance with minor amendments for approval.

Purpose of Report Decision

This report makes the following recommendations to this Committee:

To approve the Annual Governance Statement for 2019-20 and refreshed Local Code of Corporate Governance.

Timetable

Meeting	Date
Corporate Leadership Team	7 July 2020
Audit, Governance and Standards Committee	29 July 2020

Annual Governance Statement 2019-20

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Effective corporate governance arrangements ensure the Council's priorities are understood and delivered	Head of Policy, Communications and Governance
Cross Cutting Objectives	Effective corporate governance arrangements ensure the Council's priorities are understood and delivered	Head of Policy, Communications and Governance
Risk Management	Covered in the risk section	Head of Policy, Communications and Governance
Financial	The action plan may have resource implications. These will be identified as projects come forward.	Head of Policy, Communications and Governance
Staffing	The action plan may have resource implications these will be identified as projects come forward	Head of Policy, Communications and Governance
Legal	Section 6(1) of the Accounts and Audit Regulations 2015 requires all local authorities to: a) conduct a review of the effectiveness of the system of internal control required by regulation 3; and (b) prepare an annual governance statement; Under the Council's Constitution one of the functions of the Committee is to oversee the production of the Council's Annual Governance Statement. The Annual Statement demonstrates measures are in place to ensure good governance arrangements which enable the Council to meet its statutory requirements.	Team Leader (Corporate Governance), MKLS
Privacy and Data Protection	Data protection is covered in the statement and action will continue into 2020-21	Policy and Information Team
Equalities	Effective corporate governance arrangements include behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law as set out in the code of corporate governance.	Policy & Information Manager

Public Health	We recognise that the recommendations will not negatively impact on population health or that of individuals.	Head of Policy, Communications and Governance
Crime and Disorder	No implications	Head of Policy, Communications and Governance
Procurement	No implications	Head of Policy, Communications and Governance

2. INTRODUCTION AND BACKGROUND

- 2.1 Each year the Council reviews its governance arrangements to ensure compliance with the Local Code of Corporate Governance. The purpose of the review is to provide assurance that governance arrangements are adequate, operating effectively and to identify action which is planned to ensure effective governance in the future. The outcome of the review takes the form of an Annual Governance Statement (AGS) at **Appendix A** prepared on behalf of the Leader of the Council and Chief Executive.
- 2.2 Overall, we can confirm that the Council has the appropriate systems and processes in place. Whilst we are satisfied the governance arrangements in general work well our review has identified additional actions to ensure good standards of governance are maintained. The most significant governance issues relate to COVID19. The most significant risks from the Corporate Risk Register are also included within the action plan. In developing a recovery plan from COVID19, the Council will take steps to ensure that its financial obligations are adhered to, particularly the legal duty to set and maintain a balanced budget. The risk will be addressed through constant monitoring of the budget during the year and appropriate remedial action taken. The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Key considerations for the Council include the need for an adequate contingency provision, the S151 officer's guidance on the financial prudence of options before members and ensuring that there are reasonable grounds for making decisions.
- 2.3 Updates on the actions will be provided to the Audit Governance and Standards Committee on a six-monthly basis and kept under review by the internal Corporate Governance Group.
- 2.4 The following areas have been identified for improvement for 2020-21

Key improvement area	Lead Officer	To be delivered by
Ensure financial risk arising from the impact of COVID-19 are managed	Director of Finance and	1 March 2021

Key improvement area	Lead Officer	To be delivered by
	Business Improvement	
<p>Poor management of contracts or financial resilience of contractors leads to significant contract failure disrupting services and creating extra liabilities. Potential impact on the capital programme because of the resilience of our contractors.</p>	Director of Finance and Business Improvement	1 March 2021
<p>Exit of EU on unfavourable terms results in adverse short-term Brexit impacts disrupting the Council's ability to offer services and increasing liabilities.</p>	Director of Finance and Business Improvement	1 March 2021
<p>Data Protection Areas identified for Improvement in 2020-21:</p> <ul style="list-style-type: none"> • Record of Processing Activity updated • CCTV • Information sharing guidance issued and training rolled out • Asset Register and Retention Schedule review completed and changes implemented 	Data Protection Officer	<p>1 November 2020</p> <p>1 March 2021</p>
<p>Capacity to deliver the investment and regeneration programme – (link to Corporate Risk Register).</p>	Director of Regeneration and Place	1 March 2022
<p>Property Maintenance, Health and Safety Compliance.</p>	Director of Finance and Business Improvement	1 March 2021
<p>Ensuring we are resilient and continue to build relationships with partners.</p>	Chief Executive	1 March 2021
<p>Declaration of Interests.</p>	Monitoring Officer	1 November 2020
<p>Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.</p>	Chief Executive	1 March 2021

Progress against last year's action plan

2.5 Several improvement actions were identified in the 2019-20 action plan and the table below shows progress with those actions:

Key Improvement Area	Update
<p>Ensuring sufficient resource to deliver the ambition for embracing growth and enabling infrastructure priority (link to Corporate Risk Register)</p>	<p>The Regeneration and Economic Development service has been refocused towards investment in and delivery of the Council's growth and infrastructure projects.</p> <p>The Council works in collaboration with Kent County Council to secure infrastructure monies above those sums collected via Section 106 and the Community Infrastructure Levy.</p> <p>Local Growth Fund monies were secured to part fund a programme of junction improvements to mitigate development in the current Local Plan. Whilst programmes such as this are complex to deliver, KCC have now completed their public consultation on the various proposals and are optimistic that works will commence on site this year.</p> <p>Another example is the highways improvements outside of the Kent Medical Campus that are being accelerated by a successful bid to the National Infrastructure Productivity Fund, again with KCC. Monies secured exceeded £9m, to include a £0.5m loan from the Council, and this will fund improvements to two nearby roundabouts and provide the duelling of the road between them and works on site will commence in September 2020.</p> <p>Furthermore, the Council has two mixed tenure housing developments on site at Brunswick Street and Union Street, and again the Council secured in excess of £0.6m from the MHCLG Land Release Fund to unlock these complex brownfield sites. Furthermore, an additional bid has been made for two more schemes for projects at King Street and Medway Street in the town centre for which the outcome is awaited. The Council also has a further 14 apartments for PRS on site at the Springfield Mill development on the edge of the town centre. These new apartments will be ready for occupation in 2021.</p> <p>The Council has also secured Local Enterprise Partnership Local Growth Fund monies of £1m to fund improvements to the Maidstone East Ticket Office, plus £1m of National Station Improvement Funds. The project is now in site and will be complete by</p>

Key Improvement Area	Update
	<p>December 2020.</p> <p>Progress has been made in this area, however as this continues to be a priority and a risk for the Council it has been included as an area to improve in 2020/21.</p>
<p>Ensuring there is protection against bribery and corruption.</p>	<p>Online learning training modules have been made available to staff following a Team Talk in December on gifts and hospitality.</p> <p>The Council's Counter Fraud and Corruption Policy was refreshed in January 2020, the refresh made minor textual amendments and additional information added to the 'Further Advice and Support Section'.</p> <p>Anti-Money Laundering Policy and Guidance was approved by the Audit, Governance and Standards Committee in March 2020.</p> <p>We will keep these policies and their performance under review, but we have not identified this as an improvement area for 2020/21.</p>
<p>Capacity to deliver the investment and regeneration programme – (link to Corporate Risk Register)</p>	<p>The Business Rates Retention Pilot monies were in part used to create planning guideline documents for the five town centre opportunity sites. All five have now been adopted, and this work has stimulated a developer to submit a detailed Planning application on the first of these, Len House, which is due to be determined in July 2020. Current successes include the expansion of the Maidstone Property Holdings Ltd market rent portfolio, improvements at Mote Park. Additionally we were pleased to gain ERDF funding for the Innovation Centre and we are now on site and due to complete in summer 2021. Staffing resource has increased and there has been extensive staff training, as well as strong partnerships with a number of consultancy firms.</p> <p>The Council, acting in the capacity of master-developer and land promoter, is also promoting a Council-led garden community through the Local Plan Review process. This is an exciting and ambitious project for which the Council has already secured Homes England as a partner.</p> <p><u>Commercial Investment</u> As part of the commercial investment strategy, resources have been budgeted for the ongoing maintenance and development of our new acquisition at Lockmeadow.</p>

Key Improvement Area	Update
	<p>While noting the considerable progress, the Council still has significant commitments to deliver. This remains an improvement area into 2020/21.</p>
<p>Property Maintenance, Health and Safety Compliance</p>	<p>Clear responsibility has been established for property maintenance and health and safety compliance. Residential property (private sector and temporary accommodation) is now managed by the Housing Team and commercial property maintenance by the Corporate Property team. Regular checks are carried out to comply with the legal requirements for health and safety, including properties where the prime responsibility lies with the tenant. The outcomes are reported on a regular monthly basis to Corporate Leadership Team. An asset management plan has been drafted and will be taken to the Policy and Resources Committee in Autumn 2020.</p> <p>The Corporate Leadership Team will continue to review requirements, especially considering COVID-19, and we have retained this as an improvement area for 2020/21.</p>
<p>Governance for Maidstone Property Holdings</p>	<p>An external review was undertaken for the governance arrangements of Maidstone Property Holdings Ltd, this was reported to Audit Governance and Standards Committee in November 2019. The review was undertaken with the assistance of external solicitors, Anthony Collins Solicitors LLP, and has resulted in confirmation of the company's future aims and objectives, an amended draft Business Plan and various other company documents, clarity on the Service.</p> <p>Agreement required, clarity on the different roles of the company and the Council. The results of the review were also reported to Policy and Resources Committee. Regular quarterly reports on the company's performance are presented to Policy & Resources Committee, in order that it may exercise its stewardship role as shareholder.</p> <p>On clarification of roles and responsibilities, we have excluded this from the list of continuing governance issues.</p>
<p>Contract Management</p>	<p>A range of actions have been carried out to improve the standard of contract management, including publication of contract management guidance, officer</p>

Key Improvement Area	Update
	<p>training, improved liaison with MK Legal, and central monitoring of contracts. Overall responsibility for maintaining the standard of contract management across the Council has been allocated to the Procurement and Contracts Team within the Head of Commissioning and Business Improvement's service area. Contract Management has now been reassessed as sound and all the recommendations have been closed as implemented.</p> <p>Therefore, we have not included this as a continuing area for improvement.</p>
Partner Relationships	<p>There is a very strong working partnership in place with KCC, underpinned by the new Maidstone Strategic Infrastructure Working Group comprised by councillors and senior officers from both authorities.</p> <p>In terms of Transport partnership working with KCC, this has been evidenced by the two authorities co-funding a Maidstone Transport Planner, and the joint commissioning of a Maidstone Transport Model to support the Local Plan Review.</p> <p>We have also continued to work closely with our partners in health and community safety on a number of projects and initiatives.</p> <p>As detailed earlier, the Council is also working closely with Homes England, to help to deliver a Council-led garden community proposal. They have undertaken to provide match funding for the land promotion and planning costs.</p> <p>While continuing to build and maintain these relationships, we have retained this area for governance focus in 2020/21.</p>

Local Code of Corporate Governance

- 2.6 The Local Code of Corporate Governance created in 2017 has been updated as per the tracked changes set out in Appendix B, changes proposed are minor and concerned with ensuring the accuracy of the Code.
- 2.7 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 Code sets out how the Council meets these requirements and how we conduct our business and affairs.

3. AVAILABLE OPTIONS

- 3.1 The Annual Governance Statement is a requirement of statutory regulations and provides assurance about the Council's governance arrangements.
- 3.2 The Committee can approve the Annual Governance Statement as it has been presented or make amendments as appropriate.
- 3.3 The Local Code of Corporate Governance was rewritten in 2017, the refreshed version attached at Appendix B has minor amendments for approval by the Committee, the Committee could request additional amendments or no amendment to the present code.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Committee is asked to review the Annual Governance Statement and action plan and approve the areas suggested for improvement for 2019-20.

5. RISK

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

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of Corporate Leadership Team and the Corporate Governance working Group have all been consulted on the council's governance arrangements for 2019-20, the views gathered have been included in the statement.

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 Following the Audit, Governance and Standards Committee's approval the statement will be included in the final statement of accounts and published on the Council's website. The refreshed Local Code of Corporate Governance will be placed on the website and intranet.

8. REPORT APPENDICES

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

- Appendix A: Annual Governance Statement 2019-20
- Appendix B: Local Code of Corporate Governance 2020 Refresh

9. BACKGROUND PAPERS

None.

APPENDIX A

Annual Governance Statement

2019-20

Introduction

The Annual Governance Statement is a review of the Council's governance arrangements in 2019-20. The statement evaluates how we meet the governance framework and provides an opinion on whether the current governance arrangements are fit for purpose.

Conclusion on Significant Governance Issues

Overall, we can confirm that the Council has the appropriate systems and processes in place. Whilst we are satisfied the governance arrangements in general work well our review has identified additional actions to ensure good standards of governance are maintained. The most significant governance issues relate to COVID-19, and also included are the most significant risks from the Corporate Risk Register. In developing a recovery plan from COVID19, the Council will take steps to ensure that its financial obligations are adhered to, particularly the legal duty to set and maintain a balanced budget. The risk will be addressed through constant monitoring of the budget during the year and appropriate remedial action taken. The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Key considerations for the Council include the need for an adequate contingency provision, the S151 officer's guidance on the financial prudence of options before members and ensuring that there are reasonable grounds for making decisions.

Updates on the areas for improvement will be provided to the Audit Governance and Standards Committee on a six-monthly basis and kept under review by the internal Corporate Governance Group.

Areas for Improvement 2020-21

Key improvement area	Lead Officer	To be delivered by
Ensure financial risk arising from the impact of COVID-19 are managed	Director of Finance and Business Improvement	1 March 2021
Poor management of contracts or financial resilience of contractors leads to significant contract failure disrupting services and creating extra liabilities. Potential impact on the capital programme because of the resilience of our contractors.	Director of Finance and Business Improvement	1 March 2021
Exit of EU on unfavourable terms results in adverse short-term Brexit impacts disrupting the Council's ability to offer services and increasing liabilities.	Director of Finance and Business Improvement	1 March 2021

Key improvement area	Lead Officer	To be delivered by
Data Protection Areas identified for Improvement in 2020-21: <ul style="list-style-type: none"> Record of Processing Activity updated CCTV Information sharing guidance issued and training rolled out Asset Register and Retention Schedule review completed and changes implemented 	Data Protection Officer	1 November 2020 1 March 2021
Capacity to deliver the investment and regeneration programme – (link to Corporate Risk Register).	Director of Regeneration and Place	1 March 2022
Property Maintenance, Health and Safety Compliance.	Director of Finance and Business Improvement	1 March 2021
Ensuring we are resilient and continue to build relationships with partners.	Chief Executive	1 March 2021
Declaration of Interests.	Monitoring Officer	1 November 2020
Promoting decision making on Garden Communities ensuring information is publicly available and accessible and the role of the council as developer versus the role as the planning authority is clear.	Chief Executive	1 March 2021

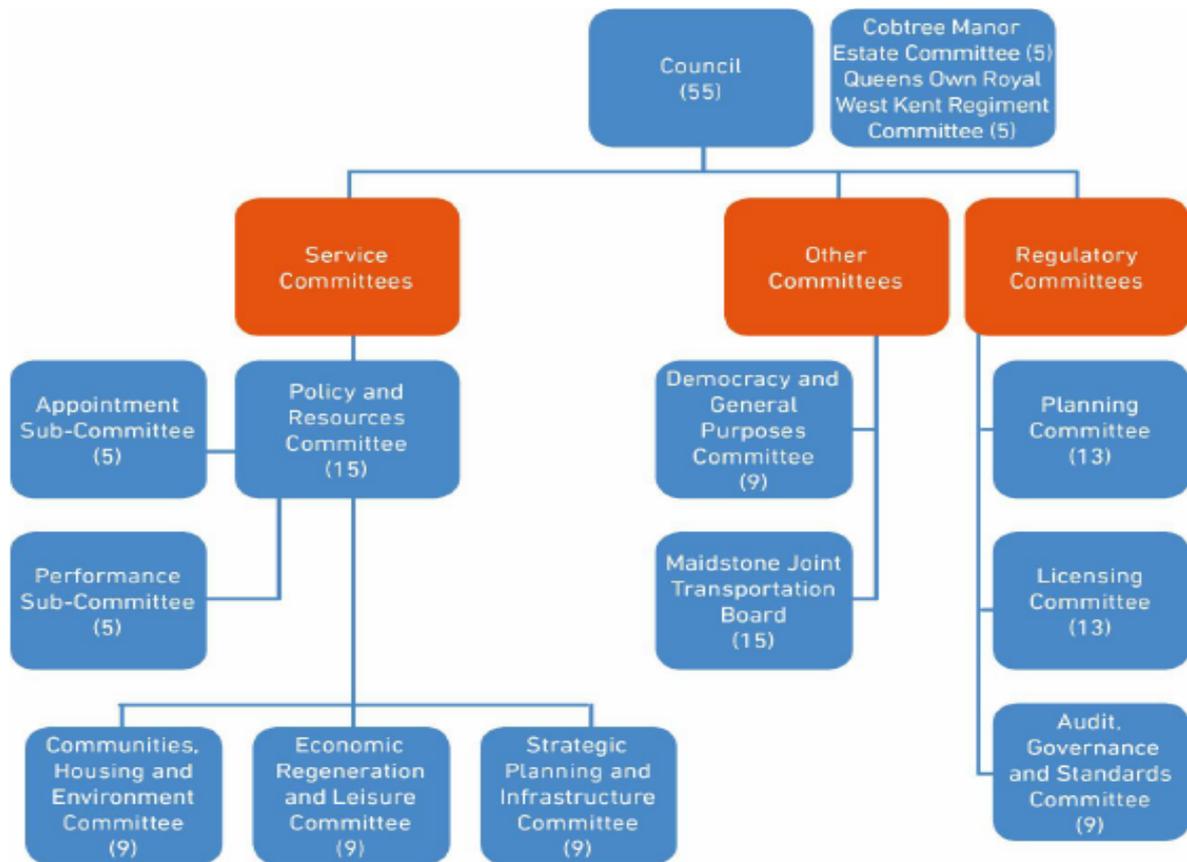
Scope of Responsibility

Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, and that public money is safeguarded and properly accounted for. Maidstone Borough Council also has a duty under the Local Government Act 1999 to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. This Annual Governance Statement for 2019-20 also meets the requirements of the Accounts and Audit Regulations 2015, regulation 6(1) which require an authority to conduct a review of the effectiveness of its system of internal control and the duty to prepare an annual governance statement.

Key Governance Roles and Responsibilities

The Council operates a committee system of governance and the Leader is the focus for political direction and the chief spokesperson for the Council. The Leader is also Chair of the Policy and Resources Committee. The Council has four

service committees taking decisions within their terms of reference as agreed by Council; individual Councillors do not have delegated authority from Council to make decisions. In addition, there are committees that deal with licensing, planning, audit, governance and standards, democracy and employment and other regulatory matters. The numbers shown in the diagram below reflect membership.



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

The Monitoring Officer serves as the guardian of the [Council's Constitution](#) and the decision-making process. During 2019-20, amendments to the Constitution have been referred to the Democracy and General Purposes Committee and revisions implemented in line with the decision of the Committee and under the Monitoring Officer’s delegation. The Monitoring Officer is also responsible for advising the Council on the legality of its decisions and providing guidance to

councillors and officers on the Council's Constitution and its powers. This includes dealing with complaints under the Councillors' Code of Conduct.

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

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

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

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

Our Governance Framework

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

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

This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2020 and up to the date of approval of the Statement of Accounts.

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

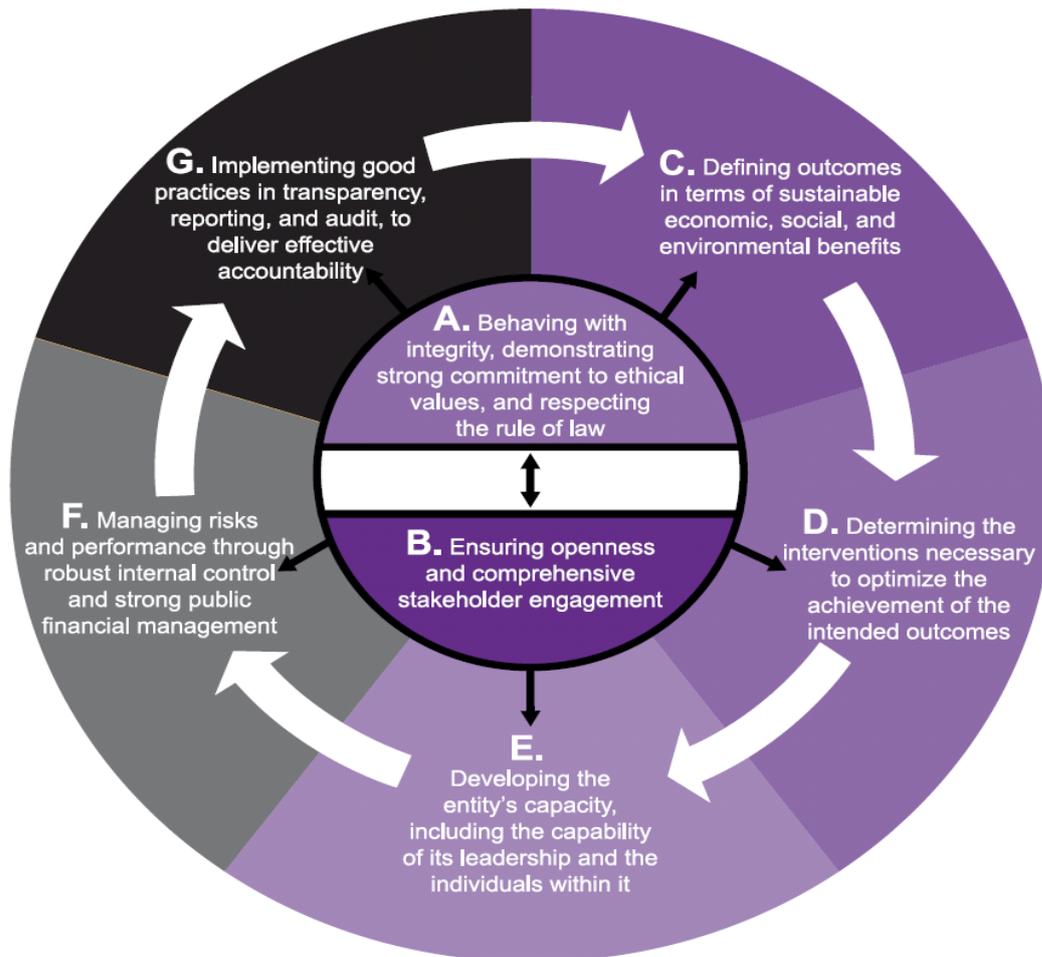
"Governance comprises the arrangements put in place to ensure that the intended outcomes for stakeholders are defined and achieved."

Our Local Code sets out the framework within which we conduct our business and affairs and the governance structure we have in place. Whilst this code sets

out principles, processes and policies, it is the application of the framework that will demonstrate good governance.

This statement sets out how we have demonstrated and met those principles in 2019-20.

The 7 principles within the Local Code of Corporate Governance



Looking back at 2019-20

A number of improvement actions were identified as part of the 2018-19 Annual Governance Statement.

The table below shows progress with these actions:

Key Improvement Area	Update
<p>Ensuring sufficient resource to deliver the ambition for embracing growth and enabling infrastructure priority (link to Corporate Risk Register)</p>	<p>The Regeneration and Economic Development service has been refocused towards investment in and delivery of the Council's growth and infrastructure projects.</p> <p>The Council works in collaboration with Kent County Council to secure infrastructure monies above those sums collected via Section 106 and the Community Infrastructure Levy.</p> <p>Local Growth Fund monies were secured to part fund a programme of junction improvements to mitigate development in the current Local Plan. Whilst programmes such as this are complex to deliver, KCC have now completed their public consultation on the various proposals and are optimistic that works will commence on site this year.</p> <p>Another example is the highways improvements outside of the Kent Medical Campus that are being accelerated by a successful bid to the National Infrastructure Productivity Fund, again with KCC. Monies secured exceeded £9m, to include a £0.5m loan from the Council, and this will fund improvements to two nearby roundabouts and provide the duelling of the road between them and works on site will commence in September 2020.</p> <p>Furthermore, the Council has two mixed tenure housing developments on site at Brunswick Street and Union Street, and again the Council secured in excess of £0.6m from the MHCLG Land Release Fund to unlock these complex brownfield sites. Furthermore, an additional bid has been made for two more schemes for projects at King Street and Medway Street in the town centre for which the outcome is awaited. The Council also has a further 14 apartments for PRS on site at the Springfield Mill development on the edge of the town centre. These new apartments will be ready for occupation in 2021.</p>

Key Improvement Area	Update
	<p>The Council has also secured Local Enterprise Partnership Local Growth Fund monies of £1m to fund improvements to the Maidstone East Ticket Office, plus £1m of National Station Improvement Funds. The project is now in site and will be complete by December 2020.</p> <p>Progress has been made in this area, however as this continues to be a priority and a risk for the Council it has been included as an area to improve in 2020/21.</p>
<p>Ensuring there is protection against bribery and corruption.</p>	<p>Online learning training modules have been made available to staff following a Team Talk in December on gifts and hospitality.</p> <p>The Council's Counter Fraud and Corruption Policy was refreshed in January 2020, the refresh made minor textual amendments and additional information added to the 'Further Advice and Support Section'.</p> <p>Anti-Money Laundering Policy and Guidance was approved by the Audit, Governance and Standards Committee in March 2020.</p> <p>We will keep these policies and their performance under review, but we have not identified this as an improvement area for 2020/21.</p>
<p>Capacity to deliver the investment and regeneration programme – (link to Corporate Risk Register)</p>	<p>The Business Rates Retention Pilot monies were in part used to create planning guideline documents for the five town centre opportunity sites. All five have now been adopted, and this work has stimulated a developer to submit a detailed Planning application on the first of these, Len House, which is due to be determined in July 2020. Current successes include the expansion of the Maidstone Property Holdings Ltd market rent portfolio, improvements at Mote Park. Additionally we were pleased to gain ERDF funding for the Innovation Centre and we are now on site and due to complete in summer 2021. Staffing resource has increased and there has been extensive staff training, as well as strong partnerships with a number of consultancy firms.</p> <p>The Council, acting in the capacity of master-developer and land promoter, is also promoting a</p>

Key Improvement Area	Update
	<p>Council-led garden community through the Local Plan Review process. This is an exciting and ambitious project for which the Council has already secured Homes England as a partner.</p> <p><u>Commercial Investment</u> As part of the commercial investment strategy, resources have been budgeted for the ongoing maintenance and development of our new acquisition at Lockmeadow.</p> <p>While noting the considerable progress, the Council still has significant commitments to deliver. This remains an improvement area into 2020/21.</p>
Property Maintenance, Health and Safety Compliance	<p>Clear responsibility has been established for property maintenance and health and safety compliance. Residential property (private sector and temporary accommodation) is now managed by the Housing Team and commercial property maintenance by the Corporate Property team. Regular checks are carried out to comply with the legal requirements for health and safety, including properties where the prime responsibility lies with the tenant. The outcomes are reported on a regular monthly basis to Corporate Leadership Team. An asset management plan has been drafted and will be taken to the Policy and Resources Committee in Autumn 2020.</p> <p>The Corporate Leadership Team will continue to review requirements, especially considering COVID-19, and we have retained this as an improvement area for 2020/21.</p>
Governance for Maidstone Property Holdings	<p>An external review was undertaken for the governance arrangements of Maidstone Property Holdings Ltd, this was reported to Audit Governance and Standards Committee in November 2019. The review was undertaken with the assistance of external solicitors, Anthony Collins Solicitors LLP, and has resulted in confirmation of the company's future aims and objectives, an amended draft Business Plan and various other company documents, clarity on the Service.</p> <p>Agreement required, clarity on the different roles of the company and the Council. The results of the review were also reported to Policy and Resources</p>

Key Improvement Area	Update
	<p>Committee. Regular quarterly reports on the company's performance are presented to Policy & Resources Committee, in order that it may exercise its stewardship role as shareholder.</p> <p>On clarification of roles and responsibilities, we have excluded this from the list of continuing governance issues.</p>
Contract Management	<p>A range of actions have been carried out to improve the standard of contract management, including publication of contract management guidance, officer training, improved liaison with MK Legal, and central monitoring of contracts. Overall responsibility for maintaining the standard of contract management across the Council has been allocated to the Procurement and Contracts Team within the Head of Commissioning and Business Improvement's service area. Contract Management has now been reassessed as sound and all the recommendations have been closed as implemented.</p> <p>Therefore, we have not included this as a continuing area for improvement.</p>
Partner Relationships	<p>There is a very strong working partnership in place with KCC, underpinned by the new Maidstone Strategic Infrastructure Working Group comprised by councillors and senior officers from both authorities.</p> <p>In terms of Transport partnership working with KCC, this has been evidenced by the two authorities co-funding a Maidstone Transport Planner, and the joint commissioning of a Maidstone Transport Model to support the Local Plan Review.</p> <p>We have also continued to work closely with our partners in health and community safety on a number of projects and initiatives.</p> <p>As detailed earlier, the Council is also working closely with Homes England, to help to deliver a Council-led garden community proposal. They have undertaken to provide match funding for the land promotion and planning costs.</p>

Key Improvement Area	Update
	While continuing to build and maintain these relationships, we have retained this area for governance focus in 2020/21.

Review of Effectiveness 2019-20

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

Assured (in part)

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

The Council's Codes of Conduct sets out clear expectations and requirements for behaving with integrity, committing to ethical values and respecting the rule of law for both Councillors and Officers

The audit review and follow up report identifies actions to improve Declarations of Interest, these were not all completed in 2019-20.

The Council adopted the local code of corporate governance in 2017 which complies with CIPFA and SOLACE "Delivering Good Governance in Local Government". This code has been updated in June 2020 for approval by the Audit Governance and Standards Committee alongside the Annual Governance Statement.

The Council also has in place a local Code of Conduct for Councillors and a Code of Conduct for staff. Code of Conduct training is carried out annually for Councillors and included in the new councillor induction programme to which all members are invited. During the municipal year 2019-2020, there were 5 Code of Conduct complaints dealt with under the Localism Act 2011 against parish councillors and no complaints were raised against Borough Councillors. At times information given to members to fulfil their committee and governance role has been shared with the media. The Chief Executive continues to work with group leaders on this issue. Only 45% of staff responding to the staff survey identified that the relationship between Members and Officers is generally good, 9% of staff disagreed with the statement. Officers have worked hard to ensure that decisions going to service committees are at the appropriate strategic level rather than operational or managerial matters.

On 8 June the Local Government Association began consultation on a new draft member Code of Conduct, which we intend to participate in. As a result our own local Code of Conduct may be updated in 2020-21, this is likely to involve a cross Kent piece of work.

Information on the employee Code of Conduct is set out in the staff handbook and is included in the induction for all new employees.

A [Register of Interests](#) is maintained and training is offered to Councillors on standards, interests and our Code of Conduct. A register of gifts and hospitality is maintained and staff are reminded to complete this annually. Under the Local Government Act 1972, section 117, the Council requires officers to disclose any direct or indirect pecuniary interests they may have in any contract or potential contract involving the Council. The results of the Audit review of Declarations of Interest undertaken in 2018/19 were reported in July 2019. The area was rated as weak with recommendations for improvement. An update in March 2020 identified two actions on managing the process for declarations of interest as deferred, and for this reason this has been added to the governance action plan.

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

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

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

There is an [Equality Policy](#) in place for the organisation; the objectives and action plan were updated in 2019 and will be reviewed again in July 2020.

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

In 2019-20 the Council has created a separation between the Local Plan Review and other Planning Functions as the Director for Regeneration and Place is leading on the proposal for a Council-led garden community. This ensures a clear separation of roles.

B. Ensuring openness and comprehensive stakeholder engagement

Assured

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

A variety of communication channels are used to engage and inform residents including social media, traditional press and radio.

Going forward we will work on our transparency as an area of improvement in relation to our role as master planner for the Council-led Garden Community

The Policy and Information Team and Communications Team work together with teams across the Council to ensure consultations are run consistently and effectively and are well communicated to all stakeholders. This collaborative working enables the teams to manage the consultation process more effectively, and, in particular, better manage barriers such as 'consultation fatigue' - where we are consulting the same people repeatedly and they lose interest in responding. The Council is a member of the Consultation Institute which provides a wealth of resources and insight. Officers have undertaken accredited training via the Institute to further improve our approach and processes.

Over the course of 2019-20 we have carried out ten resident and stakeholder consultations on our services ranging from the Annual Budget Survey, customer satisfaction, planning decisions, climate change and homelessness and rough sleepers policy priorities surveys.

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

We believe in transparency and have a large amount of information available on the [data and information](#) pages of our website, including details of payments to suppliers, decision notices, performance information, a list of our assets and senior staff salaries. We have dealt with a large volume of FOI requests a total of

893 requests of which 96% were processed on time an improved performance compared to the previous year in which we dealt with 704 requests and 94% processed on time.

The Communications Team issued a significant number of press releases to support service area campaigns between April 2019 to March 2020 totalling 138.

The Council applies the public interest test appropriately when deciding whether reports or other information the Council holds have to be confidential, and makes an effort to put as much information in the public domain as possible, including splitting confidential information into appendices to allow discussion of the broader topic in public. In 2019/20 the Council has been subject to increased scrutiny in relation to its Garden Community Proposal, and this has been identified as an area for improvement for 2020/21

The Council takes up opportunities to engage with partners and stakeholders through avenues such as the Developers' forum, Parish Liaison meetings, Maidstone Destination Management Plan, BME forum, Children and Young People forum, Voluntary and Community Services focus group, disability network and older persons' forum. We have acted as community ambassadors in our capacity as the democratically elected body representing residents with partners.

In January 2020, the Communities, Housing and Environment Committee had an item on the Local Health Care provision in Maidstone and interviewed the Chief Executive and representatives from the NHS.

We also participate in the Maidstone Strategic Infrastructure Working Group with Kent County Council. The aims of the group include achieving consensus in the identification, development and delivery of key infrastructure in the Borough.

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

Assured

The Council's priorities and cross cutting objectives in the Strategic Plan 2019-45 seek outcomes with sustainable economic, social and environmental benefits

A member project has been underway in 2019-20 to look at the Council's approach to climate change and biodiversity including commissioning the Carbon Trust to review our own estate and identify actions to reduce our emissions and impact on the environment.

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



To ensure the delivery of the strategic plan priorities and actions each service is required to produce a service plan and individuals also identify how they meet the priorities in their objectives for the year. Regular updates are given on progress with the Strategic Plan at our Staff and Manager Forums as well as at our annual One Council event. In response to a staff survey 85% of staff agreed that they had a clear understanding of the Council’s priorities, and 93% agreed that they were committed to the Council achieving its objectives with no one disagreeing with that statement.

Our corporate report template requires report authors to identify how decisions align with the Council’s priorities and show the options that have been considered and the impact of the recommended course of action. The template agreed in 2018-19 includes the four new priorities and the four cross cutting objectives. We also have a robust risk management framework in place; risks are reported to the Leadership Team, Policy and Resources and Audit, Governance and Standards Committees.

In January 2019 the Council undertook a [Property Asset Review](#). As a result it was identified that the Council needs a new Asset Management Plan, and this is scheduled to go to Policy and Resources Committee in Autumn 2020.

In July 2019 Policy and Resources Committee set up a [Biodiversity and Climate Change](#) member working group to look at achieving net zero carbon emissions for the Borough by 2030 and deliver an action plan to improve biodiversity and tackle climate change. This will report in October 2020.

We have successfully implemented a ‘go green go wild’ project to embrace and encourage biodiversity and protect and enhance our green spaces. During 2019-

20 a £20,000 community fund was introduced, delivering 10 grants to local groups to support 'go green go wild' initiatives. We have also introduced electric vehicles for street cleansing and replaced our grounds equipment to reduce their environmental impact.

The Council has a financial inclusion board to support the delivery of its social inclusion and equalities responsibilities. Objectives include identifying strategy, policy, action, work programmes and training to deliver the cross-cutting objectives in the Council's Strategic Plan to reduce deprivation, including improving financial inclusion and improving social mobility. The board monitors progress and evaluates the impact of the Council's interventions to address and reduce health inequalities, reduce deprivation and improve social mobility. A project has been launched with Policy in Practice producing a dashboard to show those that are high risk or in crisis from poverty.

In early 2019, the Council committed to be part of the [compassionate cities](#) programme working in partnership with the Heart of Kent Hospice. Compassionate Cities are communities that publicly encourage, facilitate, support and celebrate care for one another during life's most testing moments and experiences, especially those pertaining to life-threatening and life-limiting illness, chronic disability, frail ageing and dementia, grief and bereavement, and the trials and burdens of long-term care. Its communities care for one another at times of crisis and loss and recognise it is not simply a task solely for health and social services but is everyone's responsibility.

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

Assured

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

The review of the Council's risk register has identified a significant risk to the Council in relation to the impact and recovery from COVID19 and a second risk in relation to the resurgence of COVID19

The [Council's Constitution](#) clearly defines the roles and responsibilities of Officers and Councillors. In 2019/20 the constitution was reviewed by the Monitoring Officer and Democratic and Electoral Services Manager and this has resulted in reformatting, minor amendments and changes to the member and public question procedure rules.

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

Performance is reported on a quarterly basis to each service committee as well as updates on plans and strategies throughout the year. Corporate Leadership Team received monthly performance monitoring reports for Housing and Planning during 2019-20.

We believe that analytics can be used to provide greater insight and support us to transform and shape our services in a way that focuses on prevention and early intervention. Predictive analytics is a key tool to help us to identify those most at risk of presenting as homeless and to understand the effective interventions. We are collaborating with EY & Xantura to support us in transforming our service so that resources are focused on points of the pathway that are most effective. The platform creates a 'single-view' of a household and individual from disparate data sources to create a holistic household composition. It uses advanced analytical modelling to enable identification of those at the highest risk of homelessness six to nine months before crisis and specific risk factors present, based on historic data. Earlier identification enables earlier support interventions from service professionals, improving outcomes for the most vulnerable residents in the district.

The Council has a Transformation Team which carries out reviews to improve the efficiency of Council services. In 2019-20 reviews were carried out of our Street Cleaning, Leisure and Building Control services as well as a cash payments project.

A range of actions were carried out in 2019-20 to improve the standard of contract management, including publication of contract management guidance, officer training, improved liaison with MK Legal, and central monitoring of contracts. Overall responsibility for the maintaining the standard of contract management across the Council has been allocated to the Procurement and Contracts Team within the Head of Commissioning and Business Improvement's service area. Contract Management has now been reassessed as sound and all the recommendations have been closed as implemented. In March 2020 we began exploring a partnership with Tunbridge Wells for a shared procurement service.

A clear separation of responsibility has been established for property maintenance and health and safety compliance, with regard to our residential property (private sector and temporary accommodation) being managed by the Housing Team and commercial property by the Corporate Property team. Regular checks are carried out to comply with the legal requirements for health and safety, including properties where the prime responsibility lies with the tenant. The outcomes are reported on a regular monthly basis to Corporate Leadership Team, and as this remains an ongoing issue this will be included on the action plan for 2020/21.

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

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

Assured

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

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

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

The appraisal process for staff includes a personal development section where staff are encouraged to think about development needs and identify training required. This information is then fed into the Learning and Development team and assists with the development of the programme for the year. The Council has a management toolkit and training programme and introduced the "Maidstone manager" in 2017-18 which sets out the behaviour and standards that are expected of managers.

The Council has a learning and development programme in place for officers and a Member development Charter in place for Councillors. There is a wide variety of training offered to staff and Councillors.

The Strategic Plan sets out a number of priorities and outcomes to be achieved by 2045, to achieve these we will need to look at the organisation's capacity

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

particularly in relation to Economic Regeneration and Community Development. The recent pandemic puts even more pressure and focus on these objectives and the Council will need to look at its outcomes for the next five years when it reviews the Strategic Plan in 2020-21.

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

Assured

Performance and risk are well managed and regularly reported to management team and committees.

Significant risks from the corporate risk register feature in the Annual Governance Statement Action Plan for 2020-21.

Areas for improvement have been identified for data protection and these are in the action plan for 2020-21.

and engage fully in discussion about individual risks. The Council has in place a robust risk management framework and guidance and risk management is considered by the Audit Governance and Standards Committee.

Performance reports aligned to the Council's priorities are reported to the wider leadership team and service committees on a quarterly basis for scrutiny and challenge.

Service committees carry out policy and strategy development. Financial performance is reported to all the service committees on a quarterly basis.

Monthly budget spending is reported to budget holders and quarterly review meetings with the Director of Finance and Business Improvement are in place. The corporate report template requires information explaining the legal and financial impact of decisions and the S151 Officer and Monitoring Officer are required to comment on financial and legal implications of reports.

The impact of the pandemic on the period covered by the Annual Governance Statement was limited, with lockdown measures only taking effect on 24 March 2020, right at the end of the period. However, there will be a very significant financial impact in the new financial year, both from additional costs incurred by the Council in responding to the pandemic, and from a reduction in income

across almost all the Council's revenue streams, including Council Tax, Business Rates, and fees and charges for the services that we provide.

At the time of publishing the draft Statement of Accounts, the government had provided the Council with £1.7million of non-ringfenced grants to offset additional costs and loss of income, but this is expected only partly to address the likely financial shortfall. As set out in the Statement of Accounts, the Council holds £17 million of usable reserves, which provides the Council with a reasonable level of financial resilience. However, drawing on these reserves would leave the Council with relatively greater exposure to the risk of further pandemic outbreaks and/or other unforeseen events. Furthermore, the need to rebuild reserves would constrain the Council's capacity for service delivery and to support community recovery.

The Council has an anti-fraud and corruption policy in place and a whistle blowing policy, all of which are regularly reviewed by the Audit, Governance and Standards Committee.

The Council has a Data Protection Officer and has in place an action plan to ensure compliance with Data Protection Legislation. The information management group chaired by the Senior Information Risk Owner meets quarterly to review information management practice and policies including cyber security. The Chairman of the Audit, Governance and Standards Committee also attends and contributes to the group. The group in 2019-20 considered the Council's preparedness for Brexit in relation to information management; as a result the record of processing activity and privacy notices for the council were reviewed. The ROPA will be fully updated in 2020-21. A review was carried out of CCTV and an action plan to tackle the concerns identified will be delivered in 2020-21. Some actions were undertaken in January and February but were put on hold during the pandemic as officers were redeployed across the Council.

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

Assured

The Council has a strong commitment to transparency. Regular consultation is carried out to improve and inform services.

A variety of information is available on the council's website

Partnership arrangements are robust

The Council's website includes information that is required under transparency. We publish an [annual report](#) as part of our Statement of Accounts which includes our performance, progress against priorities and financial performance. We report the results of public consultation on our website and our committee meetings are webcast.

The Whistleblowing Policy is available on the intranet and sets out a confidential reporting process for those who wish to raise concerns.

The annual governance statement and action plan is published on-line as part of the statement of accounts and reported to the Audit, Governance and Standards Committee. The Local Code of Corporate Governance was rewritten in 2017 and a refreshed code will be considered by Audit, Governance and Standards and Committee in July 2020.

Internal audit activity is reported regularly to the Audit, Governance and Standards Committee to inform members of the internal audit activity that takes place during the year.

We are part of Mid Kent Services; to ensure the partnership is operating effectively, regular board meetings are held quarterly to manage performance.

An external review was undertaken for the governance arrangements of Maidstone Property Holdings Ltd, this was [reported](#) to Audit Governance and Standards Committee in November 2019. The review was undertaken with the assistance of external solicitors, Anthony Collins Solicitors LLP, and has resulted in confirmation of the company's future aims and objectives, an amended draft Business Plan and various other company documents, clarity on the Service Agreement required, and clarity on the different roles of the company and the Council. The results of the review were also reported to Policy and Resources Committee. Regular quarterly reports on the company's performance are presented to Policy & Resources Committee, in order that it may exercise its stewardship role as shareholder.

Internal Audit Opinion

The Head of Internal Audit will present the annual report and opinion to Audit, Governance and Standards Committee on 29 July 2020. The specific extract of that report that includes the opinion reads:

Internal Control

I am satisfied that during the year ended 31 March 2020 the Council managed a system of internal control that offers sound assurance on control effectiveness.

Governance

I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2020 comply in all material respects with guidance on proper practices.

Risk Management

I am satisfied the risk management arrangements at the Council for the year ended 31 March 2020 are effective and provide sound assurance.

Signed:

Chief Executive:

Date:

Leader of the Council:

Date:

Maidstone Borough Council
Local Code of Corporate Governance

Updated June 20~~17~~2017

Introduction

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

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

Maidstone Borough Council is committed to the principles of good corporate governance and wishes to confirm its ongoing commitment and intentions through the development, adoption and continued maintenance of a Local Code of Corporate Governance.

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

Purpose of the Local Code of Corporate Governance

Governance is about how we ensure we are doing the right things, in the right way, for the right people, in a timely inclusive, open, honest and accountable manner.

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. This code sets out how we meet these requirements, how we conduct our business and affairs

The Governing Body

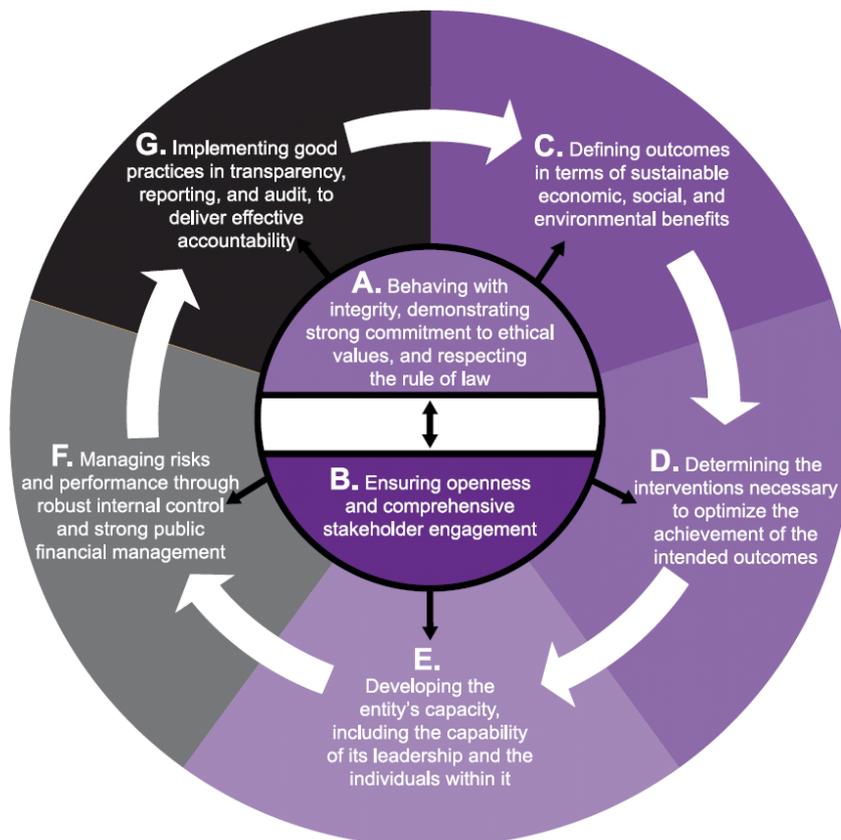
The governing body of an organisation has overall responsibility for directing and controlling that organisation. In local government the governing body is the full council or authority. In England, the Local Government Act 2000 introduced new governing structures for all local councils, clarifying responsibility for making decisions and establishing a scrutiny role. The Localism Act 2011 amended the provisions relating to Executive Arrangements and allowed local authorities to return to decision-making by committees if they so resolved.

In 2015 Maidstone Borough Council resolved to change its governance arrangements to a committee system. The Council has in place four service committees to make decisions as delegated by Full Council. The Leader is also Chair of the Policy and Resources Committee. The Council has four service committees taking decisions within their terms of reference as agreed by Council; individual Councillors do not have delegated authority from Council to make decisions. In addition, there are committees that deal with licensing,

planning, audit, governance and standards, democracy and employment and other regulatory matters.

The Seven Principles

In order to achieve good governance we need to demonstrate that our governance structures comply with the principles contained within the Delivering Good Governance in local Government Framework 2016.



Annual Review and Reporting

To comply with the principles of good governance we must ensure that systems and processes are continually monitored and kept up to date. An annual review of the Council's Corporate Governance arrangements will be carried out using the guidance contained in the CIPFA/SOLACE Framework. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future. The results of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader of the Council and the Chief Executive. It will be submitted to the Audit, Governance and Standards Committee for consideration and review.

Actions and behaviours taken by the Council that demonstrate good governance

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

79

Sub Principle	Actions and behaviours	Evidence
Behaving with Integrity	<ul style="list-style-type: none"> • We will ensure that councillors and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation • We will ensure that councillors take the lead in establishing values for the organisation and its staff and that they are communicated and understood. Building on the Seven Principles of Public Life (the Nolan Principles) • We will Lead by example and using the above values as a framework for decision making and other actions • We will demonstrate, communicate and embed the values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively 	<ul style="list-style-type: none"> • Councillor Code of Conduct • Officer Code of Conduct • Anti-Fraud and Corruption Policy & Strategy • Equalities Policy • Whistle-blowing charter • Corporate Values (Service, Teamwork, Responsibility, Integrity, Value and Equality) • Internal Staff SurveyInvestors in People Assessment • Appraisals • Democracy <u>and General Purposes</u> Committee • Audit Governance and Standards Committee • <u>Staff Handbook</u> • <u>Emergency Plan</u> • <u>Business Continuity Plans</u>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> • We will seek to establish, monitor and maintain the organisation's ethical standards and performance • We will underpin personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation 	<ul style="list-style-type: none"> • Strategic Plan • Human Resources Policies • Staff Handbook • Induction Process • Register of Interests • <u>Register of gifts and hospitality</u>

Sub Principle	Actions and behaviours	Evidence
	<ul style="list-style-type: none"> We will develop and maintain robust policies and procedures which place emphasis on agreed ethical values We will ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation 	<ul style="list-style-type: none"> Staff and Manager's Forums
Respecting the rule of law	<ul style="list-style-type: none"> We will ensure councillors and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations We will create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements We will strive to optimise the use of the full powers available for the benefit of residents, communities and other stakeholders We will deal with breaches of legal and regulatory provisions effectively We will ensure corruption and misuse of power are dealt with effectively 	<ul style="list-style-type: none"> Monitoring Officer Role Internal Audit External Auditors Complaints process including referral to the Local Government Ombudsman Audit, Governance and Standards Committee Appraisals Code of Conduct for Councillors and Officers

Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub Principle	Actions	Evidence
Openness	<ul style="list-style-type: none"> • We will ensure an open culture through demonstrating, documenting and communicating the organisation’s commitment to openness. • We will make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes. • We will provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear. • We will use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action. 	<ul style="list-style-type: none"> • Strategic Plan • Communication and Engagement Strategy • Committee work programmes • Council Website • Formal consultation processes • Community and voluntary sector representation on Partnership Boards • Freedom of Information publication scheme • Report Templates • Staff and Councillor Codes of Conduct
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> • We will effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and • We will develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively • We will define the purpose, objectives and intended outcomes for each stakeholder relationship • We will use formal and informal consultation and engagement to determine the most appropriate and effective interventions 	<ul style="list-style-type: none"> • Safer Maidstone Partnership and Strategy • Health and Wellbeing Board • Community Safety Unit • Consultation processes • Council Website • Member Sounding Board

Sub Principle	Actions	Evidence
Engaging stakeholders effectively, including individual citizens and service users	<ul style="list-style-type: none"> • We will establish a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes. • We will ensure that communication methods are effective and members and officers are clear about their roles with regard to community engagement. • We will encourage, collect and evaluate the views and experiences of communities, residents, businesses service users and organisations of different backgrounds including reference to future needs. • We will implement effective feedback mechanism in order to demonstrate how their views have been taken into account. • We will balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity • We will take into account of the interests of future generations of tax payers and service users. 	<ul style="list-style-type: none"> • Strategic Plan published on website • External Auditor provides an annual • organisational assessment of the Council's performance through the Value for Money conclusion • Council Website • Council minutes and agendas available on website • Formal consultation arrangements • Community and voluntary sector representation on Partnership Boards • Satisfaction Surveys • Freedom of Information publication scheme • Statement of Community Involvement • Consultation Processes

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

Sub Principle	Actions	Evidence
Defining Outcomes	<ul style="list-style-type: none"> • We have a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions. • We will specify the intended impact on, or changes for, stakeholders including residents, businesses and service users. • We will deliver defined outcomes on a sustainable basis within the resources that will be available. • We will identify and managing risks to the achievement of outcomes. • We will manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available 	<ul style="list-style-type: none"> • Strategic Plan • Committee work programmes • Corporate report template requires information explaining the legal and financial implications of decisions • Community Safety Unit • Housing Strategy • Temporary Accommodation Strategy • Risk Management Framework & Guide • Regular consideration of risk by Audit, Governance and Standards Committee • <u>Corporate report template contains 'risk implications'</u> • <u>Staff Survey</u>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> • We will consider and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision. • We will take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints. • We will determine the wider public interest associated with balancing conflicting interests between achieving the various 	<ul style="list-style-type: none"> • Strategic Plan • Committee work programmes • Formal consultation arrangements • Economic Development Strategy • Medium Term Financial Strategy • Safer Maidstone Strategy • Local Plan • Waste and Recycling Strategy • Health and Wellbeing Action Plan • <u>Equality Policy</u>

Sub Principle	Actions	Evidence
	<p>economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</p> <ul style="list-style-type: none"> • We will -ensure equality of access. 	<ul style="list-style-type: none"> • Biodiversity and Climate Change Working Group

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

Sub Principle	Actions	Evidence
Determining interventions	<ul style="list-style-type: none"> • We will ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options. • We will ensure best value is achieved however services are provided. • We will consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts. 	<ul style="list-style-type: none"> • Corporate report template requires information explaining the legal and financial implications of decisions • Options appraisal included in all committee reports for decision • Financial, legal and technical advice provided by the s151 Officer, the Monitoring Officer and other officers as required • Council Website • Consultation processes • Quarterly performance management reports
Planning interventions	<ul style="list-style-type: none"> • We establish and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets. • We engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered. • We consider and monitor risks facing each partner when working collaboratively including shared risks. • We ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances. • We establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured. 	<ul style="list-style-type: none"> • Corporate Planning Timetable • Strategic Plan • Service Plans • Quarterly Monitoring Reports • Contract Monitoring Arrangements • Performance Reports aligned to Corporate Plan priorities • Medium Term Financial Strategy • Capital Programme • Value for Money judgement by External Auditor

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> • We ensure capacity exists to generate the information required to review service quality regularly. • We prepare budgets in accordance with organisational objectives, strategies and the medium term financial plan. • We inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy. 	
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> • We ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints. • We ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term. • We ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage. • We ensure the achievement of 'social value' through service planning and commissioning. 	<ul style="list-style-type: none"> • Medium Term Financial Strategy • Revenue budget process • Capital Programme • Procurement Policy • Procurement Standing Orders • Action Plans developed in response to external audit and inspections • Value for Money judgement by external auditor • Budget Consultation

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

Sub Principle	Actions	Evidence
Developing the entity's capacity	<ul style="list-style-type: none"> • We review operations and performance on a regular basis to ensure their continuing effectiveness and enable organisational learning. • We improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently. • We recognise the benefits of partnerships and collaborative working where added value can be achieved. 	<ul style="list-style-type: none"> • Corporate Planning Timetable • Budget Setting Process • Service Plans • Appraisals • Developing Everybody Competency Framework • Mid Kent Services Partnership
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> • We clarify roles and responsibilities of members and management at all levels. • We develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained. • We publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body. • We ensure the leader and the chief executive have clearly defined and distinctive leadership roles. • We develop the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks. • We ensure that there are structures in place to encourage public participation. 	<ul style="list-style-type: none"> • Job descriptions and person specifications produced for all posts • Recruitment and appointment policies and procedures • <u>Members' Sounding Board</u> • <u>Leaders' forum</u> • <u>Democracy and General Purposes</u> Committee • Comprehensive learning and development programme for officers and councillors • Corporate Workforce Strategy • Staff surveys • HR Policies and Guidance on intranet • Member and Staff induction

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> • We hold staff to account through regular performance reviews which take account of training or development needs. • We ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing. 	

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

Sub Principle	Actions	Evidence
Managing Risk	<ul style="list-style-type: none"> • We recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making. • We implement robust and integrated risk management arrangements and ensuring that they are working effectively. • We ensure that responsibilities for managing individual risks are clearly allocated. 	<ul style="list-style-type: none"> • Risk Management Framework & Guide in place and reviewed annually • Strategic Risk Register in place and reviewed by Leadership team • Directorate and Service level risk registers in place and reviewed monthly • Corporate report template contains 'risk implications' • <u>Audit Governance and Standards Committee reviews risks regularly</u>
Managing Performance	<ul style="list-style-type: none"> • We monitor service delivery effectively including planning, specification, execution and independent post implementation review. • We make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook • We ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible • We provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement 	<ul style="list-style-type: none"> • Performance Reports aligned to Strategic Plan priorities • Quarterly Monitoring Reports • Contract Monitoring Reports • Corporate report template requires information explaining the legal and financial implications of decisions • Corporate report template contains risk implications • Monthly spend/budget reports sent to all budget holders

Sub Principle	Actions	Evidence
	<ul style="list-style-type: none"> • We ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements) 	
Robust Internal Control	<ul style="list-style-type: none"> • We align the risk management strategy and policies on internal control with achieving the objectives. • We evaluate and monitoring the authority's risk management and internal control on a regular basis. • We ensure effective counter fraud and anticorruption arrangements are in place. • Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor. • We ensure an audit committee or equivalent group or function which is independent of the executive provides further assurance regarding arrangements for managing risk and maintaining an effective control environment 	<ul style="list-style-type: none"> • Risk Management Policy & Guide in place and reviewed annually • Strategic Risk Register in place and reviewed by Leadership team • Corporate and Service level risk registers in place • Anti-Fraud and Corruption Policy • Audit, Governance and Standards Committee reviews risks and the Risk Management process quarterly • Corporate Information Management and Governance Groups
Managing Data	<ul style="list-style-type: none"> • We ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data. • We review and auditing regularly the quality and accuracy of data used in decision making and performance monitoring. • We ensure effective arrangements for sharing data with other bodies are in place 	<ul style="list-style-type: none"> • Communication and Engagement Strategy • Information Management Group and action plan • Freedom of Information publication scheme • Ongoing monitoring of Data Protection Act / Freedom of Information compliance
Strong public financial management	<ul style="list-style-type: none"> • We ensure financial management supports both long term achievement of outcomes and short term financial and operational performance. • We ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls. 	<ul style="list-style-type: none"> • Strategic Plan • Medium Term Financial Strategy • Budget setting process • Procurement Policy • Procurement Standing Orders • Value for Money judgement from the External Auditor

Sub Principle	Actions	Evidence
		<ul style="list-style-type: none">• External Auditors' Annual Audit letter

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

Sub Principle	Actions	Evidence
Implementing good practice in transparency	<ul style="list-style-type: none"> • Write and communicate reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate. • Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand. 	<ul style="list-style-type: none"> • Council website • Communication and Engagement Strategy • Budgets and spending published on website • Senior Officer remuneration published on website • Clear roles and responsibilities in relation to access to information in the Constitution
Implementing good practices in reporting	<ul style="list-style-type: none"> • We report at least annually on performance, value for money and the stewardship of its resources. • We ensure members and senior management own the results. • We assess the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance in action • We ensure that the Framework is applied to jointly managed or shared service organisations as appropriate. • We ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar entities. 	<ul style="list-style-type: none"> • Publication of Annual Report and Statement of Accounts on website • Annual Governance Statement produced and published on website • Local Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles • Documents are scrutinised and approved by Leadership Team, Service Committees and Audit Committee prior to publication • Performance information and reports are published on the website and reported to Committees

<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> • We ensure that recommendations for corrective action made by external audit are acted upon. • We ensure an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon. • We welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations. • We gain assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement. • We ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met. 	<ul style="list-style-type: none"> • The external auditors produce an Annual Audit Letter which is presented at Audit Committee and published on the website. The council produces a response to all issues and recommendations contained within. • The Head of Audit Partnership presents an annual report to Audit, Governance, Standards Committee to inform members of Internal Audit activity that has taken place during the year • Annual Governance Statement produced and published on website
---	--	--

Agenda Item 14

Audit, Governance & Standards Committee

29 July 2020

Annual Internal Audit Report & Opinion 2019/20

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

Executive Summary

The report confirms an unqualified opinion from the Head of Audit Partnership on the Council's internal control, governance and risk management for the year ended 31 March 2020. The report includes, in summary, information on all work completed by the Partnership to support the opinion as well as an update on the overall work of the service. Notably, this includes the full report of CIPFA's External Quality Assessor confirming the service continues to *Fully Conform* to Public Sector Internal Audit Standards.

Purpose of Report

Noting

This report makes the following recommendations to this Committee:

1. That the Head of Audit Partnership's opinion be noted.
2. That the work underlying the opinion plus the Head of Audit Partnership's assurance of its completion with sufficient independence and in conformance with relevant Standards be noted.
3. That the conclusion of CIPFA's External Quality Assessment of Mid Kent Audit that the Partnership *Fully Conforms* with relevant Standards be noted.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	29 July 2020

Annual Internal Audit Report & Opinion 2019/20

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	This report concerns internal control and governance at the Council. Successful controls and effective governance will underpin achievement on all corporate priorities and cross cutting objectives.	Rich Clarke Head of Audit Partnership 20 July 2020
Cross Cutting Objectives		
Risk Management	The report considers risk management separately (see Appendix 1)	
Financial	The report makes no new financial or staffing proposals.	
Staffing		
Legal	This report fulfils the Council's responsibility under the Accounts & Audit Regulations for maintaining an effective internal audit function.	
Privacy and Data Protection	The audit service operates in conformance with the Council's privacy, data protection and equalities policies.	
Equalities		
Public Health	No relevant impact.	
Crime and Disorder		
Procurement	All procurement undertaken by the Audit Partnership is in conformance with Maidstone BC's financial regulations, as host authority.	

2. INTRODUCTION AND BACKGROUND

2.1 This report meets the Head of Internal Audit annual reporting requirements mandated by the Public Sector Internal Audit Standards (the "Standards"). The report includes the Head of Audit Partnership's annual opinion on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control. This opinion informs the Annual Governance Statement for 2019/20.

- 2.2 The Standards, in particular Standard 2450: Overall Opinions, direct that the annual report must include:
- The annual internal audit opinion,
 - A summary of work completed that supports the opinion, and
 - A statement on conformance with Standards.
- 2.3 The overall scope of the Council's audit service – which remains delivered as part of a four way partnership with Tunbridge Wells, Swale and Ashford – is set out in the Audit Charter and Annual Plan. This Committee approved the Plan for 2019/20 in March 2019 and received an interim progress update in November 2019.
- 2.4 We have completed the work set out in the plan, subject to the modifications as noted in the report, in full conformance with the Standards. We have also been able to operate with sufficient independence, free from any undue influence of either officers or Members.
- 2.5 2019/20 also marks five years since the audit partnership last received an External Quality Assessment. Standard 1312 directs that *“external assessments must be conducted at least once every five years by a qualified, independent assessor”*.
- 2.6 The report also includes the outcome of that external assessment, completed by CIPFA in early 2020. It concludes that the audit partnership **Fully Conforms** with Standards. We believe this puts the Audit Partnership in the unique position of receiving perfect scores from both major professional institutes with oversight of internal audit; maintaining the 'fully conforms' level from the Institute of Internal Audit's 2015 review.
-

3. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in operation during 2019/20. Further, he is satisfied the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, he is satisfied the Council's risk management processes are effective. We ask the Committee to note these opinions.
- 3.2 Please see appendix 1 for the full Annual Report for 2019/20. This report includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.
- 3.3 As Appendix 2 we include the full report of CIPFA's external quality assessment. CIPFA conducted the assessment in line with the overall parameters discussed and agreed with this Committee in the 2019/20 Annual Plan and Interim Update.
-

4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 4.1 We consult on and agree with relevant Heads of Service before finalising all findings and recommendations arising from individual audit engagements. The headline messages in our report are as discussed with the s151 Officer across the year and have been communicated to help preparation of the Annual Governance Statement.
- 4.2 CIPFA issued a Member survey as part of their External Quality Assessment and the assessor also met this Committee's Chair. The report at Appendix 2 includes the results of that survey.

5. REPORT APPENDICES

- Appendix 1: Annual Internal Audit Report & Opinion 2019/20
- Appendix 2: CIPFA: External Quality Assessment of Conformance to the Public Sector Internal Audit Standards – Mid Kent Audit Partnership (Final Report)

6. BACKGROUND PAPERS

Full reports which inform the audit engagements summarised in this annual report are available on request.

APPENDIX 1

MID KENT AUDIT

Annual Internal Audit Report and Opinion 2019/20

July 2020

Maidstone Borough Council



MID KENT AUDIT

Introduction

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

2450 Overall Opinions

When an overall opinion is issued, it must take into account the strategies, objectives and risks of the organisation and the expectations of senior management, the board and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant and useful information.

Interpretation:

The communication will include:

- the scope including the time period to which the opinion pertains
- scope limitations
- consideration of all related projects including the reliance on other assurance providers
- a summary of the information that supports the opinion
- the risk or control framework or other criteria used as a basis for the overall opinion, and
- the overall opinion, judgment or conclusion reached.

The reasons for an unfavourable overall opinion must be stated.

Public sector requirement

The chief audit executive must deliver an annual internal audit opinion and report that can be used by the organisation to inform its governance statement.

The annual internal audit opinion must conclude on the overall adequacy and effectiveness of the organisation's framework of governance, risk management and control.

The annual report must also include a statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

Independence of internal audit

3. Mid Kent Audit works as a shared service between Ashford, Maidstone, Swale and Tunbridge Wells Borough Councils. A Shared Service Board including representatives from each council supervises our work based on our collaboration agreement.
4. Within Maidstone BC during 2019/20 we have continued to enjoy complete and unfettered access to officers and records to complete our work. On no occasion have officers or Members sought or gained undue influence over our scope or findings.
5. I confirm we have worked with full independence as defined in our [Audit Charter](#) and Standard 1100.

MID KENT AUDIT

The Impact of Covid-19

6. As soon as the Covid Emergency hit in Mid-March we activated our part of the emergency plan. This essentially recognised audit as a 'back office' service. We suspended our audit plan save for work sought specifically by officers and instead made our team available for redeployment across the four partner authorities. I'm pleased to report the audit team was in high demand: we have supported the authorities with more than 300 days' redeployed work, helping support community hubs and manage grants to local businesses.

Effect on 2019/20 Audit Plan

7. At the Mid-March point we suspended work on the audit plans, they were some way short of completion. We would normally plan a reasonable chunk of work in the final quarter to allow for full-year coverage of key systems. However a disrupted year with vacancies and secondments meant we had more than usual outstanding. We had a plan to complete the remaining work, including confirming a large order with our main contract audit supplier that we had to postpone when they placed their public audit staff on furlough following a collapse in demand across the country.
8. The audit team began to return from late May onwards. At this point we began to think how we could reconfigure the remaining work to produce enough quantity and quality for a robust year end opinion. This was especially challenging at Maidstone BC who chose to keep the originally circulated accounts deadlines.
9. The plan we developed included some temporary changes to our audit approach, which we felt was a better way of preserving audit coverage rather than dropping individual engagements. However we have elected to remove the following:
 - M20-AR08: Business Continuity – We are content that the current situation provides us with evidence on the efficacy of the Council's Business Continuity arrangements.
 - M20-AR11: Budget Setting – Put back to help ease pressure on the finance department working to similar deadlines as audit.
 - X20-AR01: Information Management – Cancelled because of the assurance we gained through participation in the Council's information governance groups.

MID KENT AUDIT

- X20-AR02: Network Security – We received a report from external specialists in October 2019 and felt repeating the work this spring was too soon. We have this as an area to address in the 2020/21 plan.
 - X20-AR09: IT Project Management – Postponed to 2020/21 to ease pressure on Mid Kent ICT. We will revisit this work later in the year with specialist support.
10. We made the changes to our audit plan and approach after discussion and with the support of the Council's s151 Officer. We also shared details with the Chair and Vice Chair of this Committee in mid-June.
11. The two key temporary changes we have made to our service are:
- Assurance Ratings – Condensing over 100 hours work into a 15-20 page report is challenge enough, but further summarising in a single word (e.g. "Sound") can lead inevitably to extended discussions between auditors and officers. With officer time at a premium we decided to focus instead on the narrative conclusion as a summary, and our recommendations for improvement. Therefore engagements completed later in the year have "N/A" as an assurance rating, though we still include the full executive summary in this report.
 - Risk Focus – In planning our work we are always responsive to officer needs to help shape the focus of our work to where we can deliver improvement. However, with reduced timescales, we have decided to focus on only the controls that present the highest risk using work programmes with a less tailored, more generic approach. This means the audit, temporarily, becomes more 'tick box' but does allow us to better support the overall opinion. Where there are topics of lower risk highlighted, we may return to them as part of next year's plan.
12. By working in this way we have been able to conclude the audit plan sufficiently to support the Head of Internal Audit's Opinion.

2020/21 Plan

13. We presented our [2020/21 audit plan](#) to Members on 16 March based on a then-current view of the risks faced by the authority. Clearly since then the risk landscape has changed substantially. We must also reflect our reduced capacity given the extended overhang of 2019/20 plan completion arising from staff redeployment.
14. We intend to draw up an updated plan during July and August and will re-present to Members in the Autumn.

MID KENT AUDIT

Head of Internal Audit Opinion

Scope and time period

15. I provide this opinion to Maidstone Borough Council (the Council) to include in its Annual Governance Statement, as published alongside its financial statements for the year ended 31 March 2020.

Scope limits

16. The role of internal audit need not cover only assurance and may extend towards consultancy, advice and strategic support. We have agreed with the Committee the overall scope of our work in our [Internal Audit Charter](#) and the specific scope of our work this year in our approved [Internal Audit & Assurance Plan 2019/20](#).
17. However our audit plan cannot address all risks across the Council and represents our best use of inevitably limited capacity. In approving the plan, the Committee recognised this limit. Beyond this general disclaimer, I have no specific limits of our scope to report to the Committee.

Consideration of work completed and reliance on others

18. I have drawn my opinion from the work completed during the year. I first set out the work in the plan approved by Members on 18 March 2019 and later developed it in line with emerging risks and priorities. I particularly ask that Members note the adjustments set out above following on from the Covid-19 pandemic. I set out in this report the extent and findings from our work in greater detail.
19. In completing my work I have placed no specific reliance on external sources.

Information supporting the opinion

20. The rest of this report summarises the work completed in delivering the internal audit plan through 2019/20.
21. My opinion draws on the work carried out by Mid Kent Audit during the year on the effectiveness of managing those risks identified by the Council and covered by the audit programme or associated assurance. Not all risks fall within our work programme. For risks not directly examined I am satisfied an assurance approach exists to provide reasonable assurance on effective management.

MID KENT AUDIT

Risk and control

22. The Council is responsible for ensuring it undertakes its business within the law and proper practices. The Council must also ensure it safeguards and properly accounts for its resources, using them economically, efficiently and effectively. The Council also has a duty under the Local Government Act 1999 to seek continuous improvement in exercising its roles.
23. The Council has described key parts of its internal control and risk management within the [Local Code of Governance](#) and [Risk Management Framework](#).
24. Organisations design internal controls to manage to an acceptable level rather than remove the risk of failing to achieve objectives. So, internal controls can only provide reasonable and not complete assurance of effectiveness. Designing internal controls is a continuing exercise designed to identify and set priorities around the risks to the Council achieving its objectives. The work of designing internal controls also evaluates the likelihood of those risks coming about and managing the impact should they do so.
25. In completing our work we have considered the control environment and objectives in place at the Council.

Conformance with standards

26. Mid Kent Audit has conducted its work following the Standards and good practice as represented in our internal quality assurance. This includes working to an agreed audit manual with satisfactory supervision and review.
27. During 2019/20, as the Standards demand, we undertook an external quality assessment. After a competitive procurement we commissioned an external assessor from the Chartered Institute of Public Finance and Accountancy (CIPFA) to report on our conformance with the Standards and the quality of the service more generally.
28. The assessor concluded that Mid Kent Audit works in full conformance with the Standards. We include the full report as an appendix and summarise its findings later in this report.
29. We also describe later in this report our efforts towards continuing improvement and the results of our Quality and Improvement work.

MID KENT AUDIT

Overall conclusion

Internal Control

30. I am satisfied that during the year ended 31 March 2020 the Council managed its internal controls to offer sound assurance on control effectiveness.

Governance

31. I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2020 comply in all material respects with guidance on proper practices¹.

Risk Management

32. I am satisfied the risk management arrangements at the Council for the year ended 31 March 2020 are effective and provide sound assurance.

Other Matters

33. I have no other matters to report as part of my opinion.



Rich Clarke CPFA ACFS
Head of Audit Partnership

20 July 2020

¹ "Proper practices" are defined by CIPFA/SOLACE and set out in [Delivering Good Governance in Local Government Framework](#) (2016).

MID KENT AUDIT

Internal Control

34. Internal control is how the Council ensures achievement of its objectives with effectiveness and efficiency; achieving reliable financial reporting and compliance with laws, regulations and policies. It covers financial and non-financial controls.
35. We gain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan.

Maidstone Audit Plan Work 2019/20

36. This Committee approved our [Internal Audit & Assurance Plan 2019/20](#) on 18 March 2019. The plan set out an intended number of days devoted to each of various tasks. We began work on the plan during April 2019 and continued working through to March 2020. After a period of suspension due to the Covid-19 pandemic we resumed work in May and concluded in July 2020.
37. The table below shows progress in total number of days delivered against the original plan, and the revisions we made to account for staff redeployment.

Category	2019/20 Original Plan	2019/20 Revised Plan	2019/20 Outturn
2019/20 Engagements	331	185	176
Non-Project Assurance Work	159	140	138
Unallocated Contingency	50	60	58
Total	540	385	372
Concluding 2018/19 work	0	0	58

38. Our final delivery was 372 audit days. This represents, accounting for revisions and changes to approach and risk, approximately 95% completion of the plan.
39. In our original plan we detailed 30 audit potential engagements, 9 High and 21 Medium priority. Our aim was to complete all the High priority engagements and half of the Medium priority engagements. We have actually completed 7/9 High Priority and 10/21 Medium priority (the 18/19 Network security work spanned two years).
40. Taking into account the broader assurance sources described in this report, I am satisfied this provides sufficient evidence to support a robust year end opinion.
41. We detail the specifics, and results, of this progress further in this report.

MID KENT AUDIT

Results of Audit Work

42. The tables below summarise audit engagement findings up to the date of this report. Where there are material matters finished before the committee meeting we will provide a verbal update. (* = Shared service involving the Council).

Completed Assurance Engagements

	Title	Priority-Rated Agreed Actions	Report Issue	Rating	Notes
2018/19 Assurance Engagements Completed After 1 April 2019					
	Absence Management*	6 x Med , 3 x Low	Apr-19	Sound	As reported in our 2018/19 Annual Report (July 2019)
	Accounts Payable	3 x Hi , 3 x Med , 1 x Low	Apr-19	Sound	
	Markets	2 x Med , 1 x Low	May-19	Sound	
	Licensing Administration*	1 x Hi , 2 x Med , 1 x Low	Jun-19	Sound	
	Building Control	1 x Med , 1 x Low	Jun-19	Sound	
	Revenues & Benefits Compliance Team*	3 x Med	Jul-19	Sound	
	Declarations of Interest	4 x Hi , 2 x Med , 8 x Low	Jul-19	Weak	
	General Data Protection Regulations*	None	Jul-19	N/A	
	Council Tax Reduction Scheme*	1 x Med	Aug-19	Sound	
	Transformation	10 x Low	Aug-19	Sound	As reported in our 2019/20 Interim Report (November 2019). Not repeated in this report.
	Cyber Security*	3 x Med	Oct-19	Sound	
	Planning Enforcement	2 x Hi , 3 x Med , 3 x Low	Nov-19	Weak	
I	Commercial Waste	1 x Med , 3 x Low	Dec-19	Sound	2018/19 work completed after our interim report. This is the first summary report to Members.

MID KENT AUDIT

	Title	Priority-Rated Agreed Actions	Report Issue	Rating	Notes
Planned 2019/20 Assurance Engagements Completed					
II	Corporate Credit Cards	3 x Low	Oct-19	Sound	In 2019/20 Interim Update December 2019 but repeated in this report
III	Recruitment*	1 x Med , 1 x Low	Nov-19	Sound	
IV	Civil Parking Enforcement*	2 x Med , 4 x Low	Dec-19	Sound	
V	Parks	1 x Med , 6 x Low	Dec-19	Sound	
VI	Council Tax Billing*	1 x Low	Apr-20	Strong	
VII	Health & Safety	3 x Hi , 4 x Med , 10 x Low	May-20	Weak	
VIII	Discretionary Housing Payments*	2 x Low	May-20	Sound	
IX	ICT Technical Support*	4 x Low	Jul-20	N/A	
X	Social Media	2 x Med , 4 x Low	Jul-20	N/A	
XI	Treasury Management	None	Jul-20	N/A	
XII	Universal Credit*	None	Jul-20	N/A	
XIII	Customer Services	1 x Med , 1 x Low	Jul-20	N/A	
XIV	Noise Nuisance	1 x Hi	Jul-20	Draft	Final report expected by end of July
XV	Planning Discharge Conditions	3 x Med	Jul-20	Draft	
XVI	Waste Crime Team	1 x Hi , 4 x Low	Jul-20	Draft	
	Members' Allowances	[to be confirmed]	Aug-20	Draft	Final report expected early August

MID KENT AUDIT

Assurance Engagements Removed from 2019/20 Plan

Title	Rationale and alternative assurance sources
(1) Developer Contributions	We took the decision to postpone this work pre-covid emergency following a change in delivery model within the service.
(2) Business Continuity, (3) Budget Setting, (4) Information Management, (5) Network Security, (6) IT Project Management	As set out in <i>Impact of Covid-19</i> section above.
(7) General Ledger, (8) Subsidiary Company Governance, (9) Economic Development, (10) Residents' Parking, (11) IT Asset Management, (12) IT Backup & Recovery, (13) Workforce Planning	Medium Priority projects not taken up in 2019/20.

MID KENT AUDIT

I: Commercial Waste (2018/19 Plan work reported Dec 19)

43. The service has recently updated its customer strategy to set out fitting objectives. We found the service properly considers staffing and vehicle resilience with controls in place to manage any shortages without customer disruption. The service manages its health and safety requirements well, although we suggest reintroducing unannounced spot checks to provide positive assurance.
44. The service encourages customers to use prepaid sacks to limit the risk of bad debt. However, stock control around the prepaid sacks needs improvement with over a quarter unaccounted for at year end during 2016 with no controls introduced since to prevent recurrence

II: Corporate Credit Cards (Oct 19)

45. It is the responsibility of Finance to provide oversight of the corporate credit card process, and for cardholders to uphold the conditions outlined in the Council's Corporate Credit Card (CCC) policy, which was last refreshed in November 2018. The CCC policy must be upheld in conjunction with the Council's Financial Procedures, Gifts & Hospitality, Travel & Subsistence, and Non-Cash Reward Policies.
46. The audit confirmed that generally the CCC policy is followed with effective controls in place which ensure segregation of duties and to detect contravention. Our testing returned largely positive results but did identify a few minor findings with opportunities to tighten application of the controls. These include reminding cardholders to provide receipts or to complete a 'Card Purchase – No Receipt' form to substantiate all credit card transactions and periodically reviewing cardholder limits to ensure they are appropriate.

III: Recruitment (Nov 19)

47. We found the majority of the council's controls, to mitigate the risk of being unable to recruit staff with the right skills to deliver priorities, are well designed and fully operating.
48. Our testing established the service maintains a workforce strategy at each council and joint recruitment and selection policy/procedures, which are regularly reviewed. These key documents provide a framework upon which the recruitment process is based.

MID KENT AUDIT

49. Recruitment roles are clearly defined and both Council's offer extensive staff rewards, which are continuously reviewed for appropriateness and adequacy.
50. Our testing of the recruitment process established compliance with procedures in all areas apart from training and retention of interview notes. Not all interview panels have an officer who has received recruitment and selection training. It is also unclear if they have instead satisfied the training requirement based on their experience.
51. Evidence of interview notes were not always saved, without these we could not establish if the selection process was completely fair and transparent. We have made recommendations to address these areas.

IV: Civil Parking Enforcement (Dec 19)

52. We found the majority of controls mitigating the risks surrounding parking enforcement are well designed and fully operating for both Maidstone and Swale.
53. The service is undertaking all functions as specified by the agency agreement with Kent County Council to provide on-street enforcement and the contract with Apcoa ensures adequate coverage. Our testing also confirmed that parking enforcement activities comply with the Traffic Management Act 2004.
54. There is a known compatibility issue between the cash receipting system at Maidstone and the parking system which increases the risk of enforcement action being taken when PCNs have been paid. The service has implemented reconciliation controls to promptly identify errors between the systems but there are no such controls in place at Swale. We recommend controls are adopted at Swale to ensure all income due is received and accounted for.
55. We have also identified some actions that will improve existing arrangements. These include implementing procedure notes to support processes and reviewing workflow functionality to ensure all correspondence is handled.

MID KENT AUDIT

V: Parks (Dec 19)

56. We found there are management plans in place for the key parks and open spaces in the Borough, which conform with the broad format recommended by best practice. The Grounds Maintenance team have flexible maintenance schedules in place to ensure the parks are appropriately kept and our testing found maintenance took place as expected. There are sound processes in place to generate income via football pitch hire and park events, although we note some minor issues regarding the accuracy of charges.
57. Our testing highlights some necessary improvements regarding the tree surveys. In particular, the service has not updated its database to reflect the current condition of the Borough's trees, following works arising from consultants' recommendations.

VI: Council Tax Billing (Apr 20)

58. There are effective controls in place to manage the Council Tax billing process. We found that procedure notes and training are available to staff involved in the process which is designed in such a way as to prevent technical errors. Reconciliations and test runs ensure that the information required is accurate. Sample testing found that precepts, bands and discounts are applied correctly meaning bills sampled were accurate. The process is managed by a timetable which reflects key milestones and considers contact with staff outside of the Revenues team.

VII: Health & Safety (May 20)

59. We found the Council has adequate Health and Safety policies and procedures, which help to provide a framework for all staff to adhere to Health and Safety Regulations/guidance. Controls around accident/incident reporting and lone working are also sound. However, the second line of defence is weak and there is little to no assurance sought over compliance with health and safety procedures which has led to several gaps in control.
60. Currently the Council does not know how many of its staff have undertaken a DSE risk assessment. We found only three of the ten officers sampled had completed one. The Council is therefore at risk of failing to protect workers from the health risks of working with display screen equipment.

MID KENT AUDIT

61. Arrangements around fire safety need improving. The fire doors at the Crematorium were identified as needing replacement in 2010 but were not ordered until August 2019. Also, we found fire alarm and evacuation tests are not being conducted in accordance with the Council's policy.
62. The Council's mandatory health and safety training modules have been completed by 62%-84% of officers. The highest rate of non-completion is at senior manager level, with no head of service or above having completed all the courses and two having completed none. The overall completion rate at this level is 39%.

VIII: Discretionary Housing Payments (May 20)

63. The Discretionary Housing Payments policy provides an outline to how the Councils operate the DHP scheme. Although the policy provides the specification, it is ultimately up to the discretion of the business support team's officers to process and award claims based on eligibility criteria. Staff have high levels of autonomy when processing claims; there is no system of management authorisation of claims, even for those of higher value. Audit testing confirmed that all necessary forms of supporting documentation were retained on the document filing system, Anite.
64. A budget report is run from the Academy system on a monthly basis, however, through testing a sample of six months only two months' worth of budget reports could be provided. Furthermore, the budget reports available displayed no indication of management sign-off or meaningful analysis.

IX: ICT Technical Support (Jul 20)

65. Mid Kent ICT's qualified and trained staff support the organisation by resolving IT related problems promptly. Tickets are prioritised upon receipt, tracked using status classifications and there is a protocol for following up closed tickets to ensure a satisfactory resolution. There are two targets, first response time and resolution time for each category of response. Between the introduction Freshdesk on 20th January and 29th February 2020, 98% of tickets have achieved both targets.
66. There are some controls around training and monitoring open cases which could benefit from minor improvements.

MID KENT AUDIT

X: Social Media (Jul 20)

67. The Council is engaging well with residents and businesses on social media to help raise awareness of services, strategies and campaigns. We found the Communications Team are posting content across channels in accordance with the Council's policy and are responding to customers promptly.
68. However, we have identified some minor areas for improvement, including updating the social media policy and ensuring all social media accounts are managed in line with the policy.

XI: Treasury Management (Jul 20)

69. We found the Council's Treasury Management function operates in compliance with the CIPFA Code of Practice. Regular advice is also sought and acted on from independent qualified consultants.
70. Our testing confirmed transactions are appropriately authorised, in accordance with the Council's Treasury Management Strategy.

XII: Universal Credit (Jul 20)

71. The focus of our testing has been on the risk of improper transfer of information to the Department for Work and Pensions (DWP). Our testing in this area did not identify any weaknesses in control so the risk is maintained at an acceptably low level.
72. Requests for information from the DWP are appropriately vetted to ensure that they come from a valid source. There is no standard template for transferring information to the DWP, however given the low level of requests received (around 6 a year) this control is considered unnecessary. A DWP escalation process is in place and includes a list of DWP contacts. This ensures that information is sent to an appropriate DWP account.
73. As a result of the low level of requests received from the DWP, and difficulties in identifying those requests, we have been unable to undertake testing as planned. We are however, satisfied with the design of the controls.
74. The risk of inappropriate advice being given to the public was not tested as part of this audit. Very few requests are received and there is a wide variety of information available from other sources which individuals can access. As such the risk to the Maidstone and Tunbridge Wells Borough Councils is low.

MID KENT AUDIT

XIII: Customer Services (Jul 20)

75. We conclude based on our audit work that Customer Services has effective controls in place to manage the risks and support the delivery of objectives regarding customer service enquiries.
76. Our testing confirmed Customer Service Advisers (CSA's) adequately record customer enquiries on the CRM system. They have been provided with appropriate access to systems used in other service areas supported by Customer Services. CSA's receive appropriate training on all systems and the Service maintains an up to date training record.
77. However, service level agreements, which detail the expectations placed on Customer Services by supported Council services do not specify performance indicators to be used and have not been finalised.

XIV: Noise Nuisance (Jul 20)

Currently in draft but executive summary agreed for release

78. There is a policy and framework in place to receive and investigate complaints of statutory noise nuisance and these are in line with the Environmental Protection Act 1990.
79. We found for eight out of ten investigations tested, the original complaint had been risk assessed prior to being investigated. However, three investigations were not adequately documented so we have been unable to establish whether the correct procedure was followed. There is a lack of clarity in relation to two particular cases which has resulted in the service being unaware of whether noise recording equipment has been collected from a property and what actions have been taken to investigate and resolve these cases.

XV: Planning Discharge Conditions (Jul 20)

Currently in draft but executive summary agreed for release

80. Planning conditions are agreed when an application for planning permission is approved. As such, applicants and officers are aware of the criteria that must be met so that conditions can be discharged. The 'conditions' element of the planning process is seen as 'low risk', and the Council only deals with applications to discharge conditions when they are received. There is no monitoring process in place to follow up on conditions imposed where an application is not received.

MID KENT AUDIT

81. Our testing found that the arrangements in place for discharging conditions are soundly based. The validation of applications is in line with the prescribed performance target, and the decisions of Planning Officers are underpinned through a raft of guidance and training.
82. We make one recommendation where our testing has shown that target decision times are not being met. The cause of this issue is not new and centres on how applications are received and recorded. Currently applications can include an indeterminate number of conditions with no distinction in terms of the condition's complexity (or if they relate to a minor or major application). All are subject to determination within 8 weeks and our testing of nine cases found that this target was only met on two occasions. We recommend that the service uses the facility to amend target decision timescales where applicable and also revisit the concept of splitting up conditions on applications where it is appropriate.

XV: Waste Crime Team (Jul 20)

Currently in draft but executive summary agreed for release

83. We found the Council is generally controlling its risks in order to help try to reduce fly-tipping and littering in the Borough. Fixed penalty notices (FPNs) for waste crime offences are being issued in accordance with relevant legislation and guidance. The service is monitoring levels of income and there are proportionate measures in place to publicise waste crime successes and discourage offences.
84. However, we found that because of limited resources, unpaid FPNs for some waste crimes are not routinely prosecuted, which means the Council is non-compliant with DEFRA's Code of Practice for litter and refuse. We have also identified some other minor areas for improvement for the service to consider, relating to staff cover and procedure notes.

MID KENT AUDIT

Following Up Actions

85. Our approach to agreed actions is that we follow up each quarter, examining those that fell due in the previous three months. We take due dates from the action plan agreed with management when we finish our reporting. We report progress on implementation to Corporate Leadership Team each quarter. Our report includes matters of continuing concern and where we have revisited an assurance rating (typically after action to address key findings).
86. We were due to undertake our examination of actions falling due in the final quarter of 2019/20 during April and May 2020. We postponed that work to allow staff redeployment and have prioritised completion of audit engagements since their return. We will track progress on Q4 agreed actions alongside those falling due at the end of Q1 2020/21 and will report results to Members later in the year.
87. We summarise the current position below. The chart shows low priority actions (at the foot of each bar) in green, medium priority in amber (in the middle) and high priority in red (at the top of the bars).



88. Overall we are content with officers' progress on acting to address findings we raise in our reviews.

MID KENT AUDIT

Corporate Governance

89. Corporate governance is the rules, practices and processes that direct and control the Council.
90. We gain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or staff through whistleblowing and the Council's counter fraud and corruption arrangements.
91. We attend the Council's Information Governance Group and Corporate Governance Working Group. We also help in upholding good governance by providing advice and training to both officers and Members.

Counter Fraud & Corruption

92. We consider counter fraud and corruption risks in all of our audit engagements when considering the effectiveness of control. We also undertake distinct work to assess and support the Council's arrangements.

Whistleblowing, money laundering and investigations

93. The Council's whistleblowing policy names internal audit as one route for Members and officers to safely raise concerns on inappropriate or even criminal behaviour.
94. We have had no matters raised with us for investigation as whistleblowing complaints that it is appropriate to report at this time.
95. We have also had no matters raised with us noting concerns that may indicate a breach of money laundering regulations.

Investigations

96. In November we reported we had liaised with a specialist division of the Police Service, the National Investigation Service (NATIS) concerning a long running investigation. Following NATIS' advice the investigation was closed. We are in discussion with CLT about how best to take forward the learning for the Council arising from the investigation.

MID KENT AUDIT

97. We also noted in our interim report that we had investigated a specific allegation from a member of the public concerning bribery and corruption within the Council's planning service. We found no evidence to substantiate the allegation. We invited the complainant to provide any additional evidence held. We received no response and so have closed the investigation.
98. We have also contributed advice and support to investigations led by other sections of the Council.

National Fraud Initiative

99. We continue to coordinate the Council's response to the National Fraud Initiative (NFI). NFI is a statutory data matching project and we must send in various forms of data to the Cabinet Office who manage the exercise.
100. During 2019/20 we investigated 177 matches across 5 datasets (Creditors, Payroll, Procurement, Licensing and Housing Waiting List). We found:
- No instances of fraud.
 - **4 errors** in the *Waiting List* dataset, resulting in an estimated saving² of **£12,960**.

Risk Management

101. The Council keeps a corporate risk register. These risks draw from the service level risk profile and cover matters that threaten the Council's strategic objectives. The Corporate Leadership Team (CLT) oversee these risks collectively owing to their severity or breadth of impact across several services. We also regularly report the corporate risk register to the Policy and Resources Committee.
102. We published the most recent update in [June 2020](#). This included adjustments and additions to reflect risks issues related to **Covid19** and wider **crisis (emergency) management**.
103. The Audit, Governance & Standards Committee oversee the risk management framework. This Committee also receives an annual report on the effectiveness of the risk management arrangements.

² The NFI website estimates the value of removing an applicant from the Housing waiting list to be £3,240.

MID KENT AUDIT

104. We provide below a summary of the current corporate risk issues and scores are with the recent change. This shows the expected risk score following the Council's response to take action to address the risk. Our audit work during the year aligns to these key risk issues.

Corporate Risk Title	Current Risk Assessment (existing controls)	Target Risk Assessment (planned controls)	Direction of travel
Major Emergency	15	15	-
Resurgence of Covid-19	20	16	Reduce
Climate Change	16	16	-
Partnerships	16	12	Reduce
Financial Uncertainties	20	12	Reduce
ICT Security	12	12	-
Community Engagement	12	6	Reduce
Housing Pressures	12	9	Reduce

105. We gain assurance on arrangements to manage risks through our active role in the risk management framework. Our role includes drawing together risk information from across the corporate and operational risk profiles and reporting results to Management. In addition, we track progress of risk responses and actions. We plan to set up new risk management software this year to help make this tracking more efficient.

Other Audit and Advice Work

106. We also continue to undertake a broad range of special and scheduled consultancy and advice work for the Council.

107. As reported to Members in November 2019, during the year we undertook two serious case reviews for the Council after commissions from the Kent Safeguarding Board.

108. We also, after reaching agreement with the Council's external auditors, took on a significant proportion of the testing the Council would otherwise have paid Grant Thornton to complete on Housing Benefit Certification.

MID KENT AUDIT

109. We have also led and contributed to a series of Member briefings at the Council on issues of governance interest. We are keen to hear from Members on any other areas of interest which may form future briefing sessions.
110. We remain engaged and flexible in seeking to meet the assurance needs of the Council. We are happy to discuss opportunities large and small where the Council can usefully employ the experience and expertise of the audit team.

Audit Quality & Improvement

Standards and ethical compliance

111. Government sets out the professional standards we must work to in the **Public Sector Internal Audit Standards** (the “Standards”). These Standards are a strengthened version of the Institute of Internal Audit’s global internal audit standards, which apply across public, private and voluntary sectors in more than 170 countries around the world.
112. The Standards include a specific demand for reporting to Senior Management and Audit Committee on our conformance with the Code of Ethics as well as the Standards themselves.
113. We include a short summary of the duties placed on us by the Code as an appendix to this report. We have included the Code within our Audit Manual and training for some years. We can report to Members we remain in conformance with the Code.

External Quality Assessment

114. Our 2019/20 Audit Plan included full wording from Standard 1312. That Standard demands all internal audit services seek an external quality assessment at least every five years. In that plan we set out some headline principles to guide our assessment.
- A properly qualified and experienced external assessor.
 - A paid review rather than reciprocal or peer arrangement.
 - To consider best practice as well as simple conformance.
 - One assessment across the whole partnership.
 - Published terms of reference before fieldwork begins.
 - Publish the final report in full to Members, including response to any action plan for improvements.

MID KENT AUDIT

115. Members from all four authorities in the partnership supported these principles. In late 2019 we undertook a competitive procurement to appoint an assessor. We consulted Members on the procurements and had non-audit team members included in bid scoring representing Directors at all four partner authorities.
116. We include the report in full as an appendix to the annual report but reproduce here the conclusion by way of overall summary:

4. Opinion

It is our opinion that Mid Kent Audit's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000	Fully Conforms
Attribute standard 1100	Fully Conforms
Attribute standard 1200	Fully Conforms
Attribute standard 1300	Fully Conforms
Performance standard 2000	Fully Conforms
Performance standard 2100	Fully Conforms
Performance standard 2200	Fully Conforms
Performance standard 2300	Fully Conforms
Performance standard 2400	Fully Conforms
Performance standard 2500	Fully Conforms
Performance standard 2600	Fully Conforms

MID KENT AUDIT

117. We believe this makes us the first audit service to have received *Fully Conforms* assessments from both major relevant professional bodies: the Institute of Internal Audit (in 2015) and CIPFA (2020).

Training and Qualifications

118. We continue to offer strong support to the audit team in continuing development and upholding professional competence. In 2019/20 this involved providing individual training budgets and supporting people to follow avenues for development suitable for their career position and ambitions.

119. A key but far from sole part of this approach is supporting professional qualifications. During 2019/20 we supported several of the team through professional studies and remain pleased with their progress and success. We would like to highlight:

- **Louise Taylor:** Completed her traineeship with Mid Kent Audit by passing the final exams with the Institute of Internal Audit to become a Certified Internal Auditor (CIA). We are pleased to confirm Louise will stay with the Partnership as a qualified auditor.
- **Mark Goodwin:** Completed his qualification with CIPFA to become an Accredited Counter Fraud Specialist.
- **Rich Clarke:** Completed the written assessment to achieve the full Chartered qualification from the Institute of Internal Audit (to go alongside his already held full Chartered qualification from CIPFA). The final interview stage is on 21 July.
- **Russell Heppleston:** Completed his qualification with the Institute of Risk Management to become a Certified Member of that institute.
- **Andy Billingham:** Completed stage two of three in his journey towards the CIA qualification. Andy will sit the stage 3 (final) exam later this year.
- **Cath Byford & Katie Bucklow:** Our two apprentices have made good starts on their Level 7 Apprenticeship schemes. These include exams set both by the University (Birmingham City University) and the IIA. Cath has completed the first two University Exams and also stage one of the CIA qualification. Katie, who joined us in August, was successful in her first University Exam earlier this year.

MID KENT AUDIT

120. Also during 2019/20 we have worked closely with neighbouring authorities. Most notably in seconding our Deputy Head of Audit Partnership, **Russell Heppleston**, as Head of Audit for Dartford and Sevenoaks Councils. That secondment ran from August 2018 until January 2020, after which Russell returned to Mid Kent Audit to a revised and expanded Deputy Head of Audit Partnership role.
121. Through regional and national roles, the Head of Audit Partnership continues to represent the service in gaining opportunities for professional development. This includes developing training with the London Audit Group aimed at supporting aspiring Audit Managers, as well as speaking engagements at national events such as CIPFA Audit Conference.

Acknowledgements

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

MID KENT AUDIT

Annex 1: Assurance & Priority level definitions

Assurance Ratings 2019/20 (Unchanged from 2014/15, save for addition during COVID-19 Emergency)

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any; recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>
<p>Note for reports issued during the COVID-19 Emergency</p>	
<p>During this period we have temporarily moved away from giving a single word assurance rating back to a narrative conclusion balancing the strengths and weaknesses of controls in a service. The aim is to streamline discussion at the point of closing a review and allow the discussion to move swiftly on to implementing the agreed actions.</p>	

MID KENT AUDIT

Recommendation Ratings 2019/20 (unchanged from 2014/15)

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

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

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

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

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

APPENDIX 2

External Quality Assessment of Conformance to the Public Sector Internal Audit Standards

Mid Kent Audit Partnership

Final Report

Lead Associate: Ray Gard, CPFA, FCCA, CFIIA, DMS

Internal QA: Policy and Technical, CIPFA.

7th May 2020

1. Introduction

- 1.1 Internal audit within the public sector in the United Kingdom is governed by the Public Sector Internal Audit Standards (PSIAS), which have been in place since 1st April 2013 (revised 2016 and 2017). All public sector internal audit services are required to measure how well they are conforming to the standards. This can be achieved through undertaking periodic self-assessments, external quality assessments, or a combination of both methods. However, the standards state that an external reviewer must undertake a full assessment or validate the internal audit service's own self-assessment at least once in a five year period.

2. Background

- 2.1 Mid Kent Audit is a four-way partnership formed between the Borough Councils of Ashford, Maidstone, Swale and Tunbridge Wells. They work to a unified audit approach and as one team delivering around 1,800 days per year of audit and assurance work across the four authorities. The partnership began in 2005 as a collaboration between Maidstone and Ashford with Swale and Tunbridge Wells joining in 2010.
- 2.2 Mid Kent Audit is part of Mid Kent Shared Services and is hosted by Maidstone Borough Council. They report to a management board made up of representatives from the four local authorities in the partnership. Partnership governance is documented in a collaboration agreement signed by all four authorities. However, we note that the current agreement is out of date. From an operational perspective, Mid Kent Audit reports directly to the executive teams and Audit Committees at their respective clients. These two bodies fulfil the roles of 'senior management' and 'the board', as defined by the Public Sector Internal Audit Standards.
- 2.3 Mid Kent Audit has been operating under PSIAS since its launch in 2013, and this is the third external quality assessment that they have commissioned, the previous ones being in 2014 with a revisit in 2015.
- 2.4 Mid Kent Audit has an audit manual in that is clear and easy to follow, and provides the auditors with a comprehensive guide to all aspects of performing an audit. The audit manual is embedded in the Pentana audit management system and is easy to access by the use of 'mouseover' functionality. Standard templates are used for the engagement working papers and testing schedules, engagement terms of references, action plans and audit reports. All of these documents are held in the engagement files in Mid Kent Audit's audit management application (Pentana). The Pentana application has been set up with extensive local modification to closely follow the PSIAS.
- 2.5 The Pentana application is also used for managing the engagements with all staff recording time spent on the assignments in the application. Supervision of the engagements takes place at every stage of the process and is recorded in Pentana.
- 2.6 Mid Kent Audit has a quality assurance process in place that feeds into its Quality Assurance and Improvement Programme (QAIP) although they acknowledge that there is scope to enhance their quality assurance processes. There are four main elements to this process. The first element is a review of the live engagement by the supervising officer. This is either a one stage or two-stage process, depending on the grade and experience of the auditor. The second element is a cold review of a sample of completed audits to identify the elements of the audit that went to plan; the elements that did not go as planned; and whether there are any lessons to be learnt for future reviews or for the auditor. The third element comprises a customer satisfaction questionnaire and survey, with the fourth element being an annual self-assessment of Mid Kent Audit's overall conformity with the PSIAS. All of the above processes are used to inform Mid Kent Audit's QAIP.

3. Validation Process

- 3.1 The self-assessment validation comprises a combination of desktop and on-site review and focuses on the key elements of the PSIAS self-assessment in the limited time available. The desktop period of the review focussed on determining the strengths and weaknesses of Mid Kent Audit, and formed the key lines of enquiry used during the on-site stage, in order that the validation review is timely and adds real value to the organisation. The key lines of enquiry assessed Mid Kent Audit against the four broad themes of Purpose and Positioning; Structure and Resources; Audit Execution; and Impact.
- 3,2 Mid Kent Audit provided a comprehensive range of documents that they used as evidence to support their self-assessment and these were available for examination prior to and during this validation review. These documents included the:-
- self-assessment against the standards;
 - quality assurance and improvement plan (QAIP);
 - evidence file to support the self-assessment;
 - sample audit charters for clients;
 - sample of annual reports and opinions;
 - sample of audit plans and strategies;
 - quality manual; and
 - progress and other reports to a sample of client Audit Committees.

All of the above documents were examined during the EQA.

- 3.3 The on-site stage of the validation process was carried out from the 24th to the 28th February 2020, and involved interviews with the key personnel from Mid Kent Audit, plus a sample of key stakeholders from Mid Kent Audit's customer base, made up of Finance Directors and chairs of Audit Committees. Overall, the feedback from the interviewees was positive with clients valuing the professional and objective way Mid Kent Audit delivered services.
- 3.4 A questionnaire was also sent to the other key stakeholders in advance of the on-site visit and the results analysed during the review. A summary of the survey results is shown at appendix A of the report. The reviewer also carried out an end-to-end review of a sample of audits to confirm his understanding of the audit process used by Mid Kent Audit and embedded in their Pentana audit management system during the on-site stage of the review.

4. Opinion

It is our opinion that Mid Kent Audit's self-assessment is accurate and as such we conclude that they FULLY CONFORM to the requirements of the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note.

The table below shows Mid Kent Audit's level of conformance to the individual standards assessed during this external quality assessment:-

Standard / Area Assessed	Level of Conformance
Mission Statement	Fully Conforms
Core principles	Fully Conforms
Code of ethics	Fully Conforms
Attribute standard 1000	Fully Conforms
Attribute standard 1100	Fully Conforms
Attribute standard 1200	Fully Conforms
Attribute standard 1300	Fully Conforms
Performance standard 2000	Fully Conforms
Performance standard 2100	Fully Conforms
Performance standard 2200	Fully Conforms
Performance standard 2300	Fully Conforms
Performance standard 2400	Fully Conforms
Performance standard 2500	Fully Conforms
Performance standard 2600	Fully Conforms

5. Areas of full conformance with the Public Sector Internal Audit Standards

5.1 Mission Statement and Definition of Internal Audit

The mission statement and definition of internal audit from the PSIAS are included in the audit charters for all of Mid Kent Audit's clients.

5.2 Core Principles for the Professional Practice of Internal Auditing

The Core Principles, taken as a whole, articulate an internal audit function's effectiveness, and provide a basis for considering the organisation's level of conformance with the Attribute and Performance standards of the PSIAS.

The clear indication from this EQA is that the Core Principles are embedded in the audit manual and the Pentana audit management application, and that Mid Kent Audit is a competent and professional internal audit partnership that conforms to all ten elements of the Core Principles.

5.3 Code of Ethics

The purpose of the Institute of Internal Auditors' Code of Ethics is to promote an ethical culture in the profession of internal auditing, and is necessary and appropriate for the profession, founded as it is on the trust placed in its objective assurance about risk management, control, and governance. The Code of Ethics provides guidance to internal auditors and in essence, it sets out the rules of conduct that describe behavioural norms expected of internal auditors and are

intended to guide their ethical conduct. The Code of Ethics applies to both individuals and the entities that provide internal auditing services.

The clear indication from this EQA is that Mid Kent Audit conforms to the Code of Ethics and this is embedded in their audit manual and the Pentana audit management application. It is part of their overarching culture and underpins the way Mid Kent Audit operates.

5.4 **Attribute Standard 1000 – Purpose, Authority and Responsibility**

The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards and the Definition of Internal Auditing). The internal audit charter must be reviewed regularly and presented to senior management and the audit panel for approval.

We reviewed the audit charters for a sample of Mid Kent Audit's clients and the processes used to present them to Audit Committees for approval and we are satisfied that the audit charters and current processes conform to attribute standard 1000 and the LGAN.

5.5 **Attribute Standard 1100 – Independence and Objectivity**

Standard 1100 states that the internal audit activity must be independent, and internal auditors must be objective in performing their work.

The need for independence and objectivity is covered in Mid Kent Audit's audit manual and is an integral part of their culture. The Service reports in its own name and directly to senior management and the Audit Committees at all of its clients. All employees sign a declaration of interest each year and declare any potential impairment to independence or objectivity for each audit they undertake.

We have reviewed Mid Kent Audit's audit manual and their quality assurance and improvement plan, together with their reporting lines and positioning in the organisations they work with.

We are satisfied that Mid Kent Audit conforms with attribute standard 1100 and the LGAN, although there are some opportunities to strengthen this and/or grow the business that we have set out in section 8 of this report.

5.6 **Attribute Standard 1200 – Proficiency and Due Professional Care**

Attribute standard 1200 requires Mid Kent Audit's engagements are performed with proficiency and due professional care, having regard to the skills and qualifications of the staff, and how they apply their knowledge in practice.

It is evident from this EQA that Mid Kent Audit has a professional and experienced, workforce who all either hold or are working towards obtaining, professional qualifications. The Head of the Mid Kent Audit Partnership holds a CCAB qualification and is also an Accredited Counter Fraud Specialist, while the Deputy Head holds the IIA and Institute of Risk Management qualifications

Mid Kent Audit has staff who are experienced in data analytics and they tend to do this by using the functionality available in MS Excel. They are not currently using any specialist data analytics applications.

It is evident from this review that Mid Kent Audit's employees perform their duties with due professional care. We are satisfied that Mid Kent Audit complies with attribute standard 1200 and the LGAN, although there are some opportunities to strengthen the services they provide to their clients and perhaps grow the business that we have set out in section 8 of this report.

5.7 **Attribute Standard 1300 – Quality Assurance and Improvement Programmes**

This standard requires the Head of the Mid Kent Audit Partnership to develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity.

Mid Kent Audit has developed a robust and effective quality assurance process that ensures engagements are performed to a high standard within the available resources. It is effective and feeds into Mid Kent Audit's quality assurance and improvement programme. We have examined this process during the EQA and are satisfied that Mid Kent Audit conforms to attribute standard 1300 and the LGAN. There is one suggestion to enhance compliance with standard 1300 and this is set out in section 8 of this report.

5.8 **Performance Standard 2000 – Managing the Internal Audit Activity**

The remit of this standard is wide and requires the Head of Audit Partnership of Mid Kent Audit to manage the internal audit activity effectively to ensure it adds value to its clients. Value is added to a client and its stakeholders when internal audit considers their strategies, objectives, and risks; strives to offer ways to enhance their governance, risk management, and control processes; and objectively provides relevant assurance to them. To achieve this, the Head of Audit Partnership must produce an audit plan for each client, and communicate this and Mid Kent Audit's resource requirements, including the impact of resource limitations, to senior management and the Audit Committees at each client for their review and approval. The Head of Audit Partnership must ensure that Mid Kent Audit's resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

The standard also requires the Head of Audit Partnership to establish policies and procedures to guide the internal audit activity, and to share information, coordinate activities and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage and minimise duplication of efforts.

Last, but by no means least, the standard requires the Head of Audit Partnership to report periodically to senior management and the Audit Committees on internal audits activities, purpose, authority, responsibility and performance relative to its plan, and on its conformance with the Code of Ethics and the Standards. Reporting must also include significant risk and control issues, including fraud risks, governance issues and other matters that require the attention of senior management and/or the audit panels.

As mentioned in section two of this report, Mid Kent Audit has an audit manual, supervision and quality assurance processes in place that meet the requirements of the PSIAS. They have developed comprehensive planning processes that follow best practice by taking into consideration the client's risks, objectives and risk management and governance frameworks; other relevant and reliable sources of assurance; any key issues identified by the client's managers; and Mid Kent Audit's own risk and audit needs assessments. From this information, they produce risk-based audit plans that are designed to enhance the client's risk management and governance frameworks and control processes; and objectively provide them with relevant assurance. These audit plans are reviewed and approved by the senior management and the Audit Committees at each client. We have noted that Mid Kent Audit do not currently have assurance maps for their clients to show where they get assurance from which can help in the development of the audit plan. The Head of the Mid Kent Audit Partnership is aware of this and has already included this as an action on the quality assurance and improvement plan timed alongside a

planned central update to Pentana scheduled for later in 2020, so we have not included this as an action from this EQA,

Details of the completed audits and the risk and control issues found, together with the progress being made on delivering the audit plans and the performance of Mid Kent Audit, is regularly reported to the Audit Committees, with an annual report opinion for each client being issued at the end of the year.

The clear indication from this EQA is that Mid Kent Audit is effectively managed, and conforms to standard 2000 and the LGAN.

5.9 **Performance Standard 2100 – Nature of Work**

Standard 2100 covers the way the internal audit activity evaluates and contributes to the improvement of the organisation's risk management and governance framework and internal control processes, using a systematic, disciplined and risk-based approach.

This is the approach adopted by Mid Kent Audit and is set out in their audit manual, the Pentana audit management system, and their working methodologies. During this EQA, we selected a small sample of completed audit engagements from different clients, and examined them to see if they conformed to standard 2100 and Mid Kent Audit's own methodologies. We found that the sample audits complied with both.

Internal audit's credibility and value is enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact on the organisation. Mid Kent Audit's clients feel there is scope to provide more of this as it would add value to their operations.

The clear indication from this EQA is that Mid Kent Audit conforms to performance standard 2100 and the LGAN, although there are opportunities to enhance the amount and type of insight they offer their clients, as we have set out in section 8 of this report.

5.10 **Performance Standard 2200 – Engagement Planning**

Performance standard 2200 requires internal auditors to develop and document a plan for each engagement, including the engagement's objectives, scope, timing and resource allocations. The plan must consider the organisation's strategies, objectives, and risks relevant to the engagement.

As mentioned in section two of this report, Mid Kent Audit has an audit manual, supervision and quality assurance processes in place that covers engagement planning in detail, and meets the requirements of the PSIAS. During this EQA, we selected a sample of completed audit engagements, and examined them to see if they conformed to standard 2200. We found that they all conformed to the standards and Mid Kent Audit's own audit manual and associated protocols, and therefore we conclude that Mid Kent Audit conforms to performance standard 2200 and the LGAN.

5.11 **Performance Standard 2300 – Performing the Engagement**

Performance standard 2300 seeks to confirm that internal auditors analyse, evaluate and document sufficient, reliable, relevant and useful information to support the engagement results and conclusions, and that all engagements are properly supervised.

As mentioned in section two of this report, Mid Kent Audit has an audit manual, supervision and quality assurance processes in place that meets the requirements of the standards. During this EQA, we selected a sample of completed audit engagements from all of their clients, and examined them to see if they conformed to the standards. We found that they all conformed to the standards and Mid Kent

Audit's own audit manual, and therefore we conclude that Mid Kent Audit conforms to performance standard 2300 and the LGAN.

5.12 **Performance Standard 2400 – Communicating Results**

This standard requires internal auditors to communicate the results of engagements to clients and sets out what should be included in each audit report, as well as the annual report and opinion. When an overall opinion is issued, it must take into account the strategies, objectives and risks of the clients and the expectations of their senior management, the audit panels and other stakeholders. The overall opinion must be supported by sufficient, reliable, relevant, and useful information. Where an internal audit function is deemed to conform to the PSIAS, reports should indicate this by including the phrase "conducted in conformance with the International Standards for the Professional Practice of Internal Auditing".

The audit manual, supervision and quality assurance processes cover the communication of results in detail and meet the requirements of the PSIAS. We selected a sample of completed audit engagements and examined them to see if they conformed to the standards. We found that they all conformed to the standards and Mid Kent Audit's own audit manual. We also reviewed the progress and annual reports to the Audit Committees and found these also conformed to the standards and Mid Kent Audit's own internal procedures. We therefore conclude that Mid Kent Audit conforms to performance standard 2400, although there is a minor enhancement that can be made to strengthen their conformance to the standards that we have set out in section 8 of this report.

5.13 **Performance Standard 2500 – Monitoring Progress**

There is a comprehensive follow-up process in place at all of Mid Kent Audit's clients, the objective of which is to monitor the client's progress towards the implementation of agreed actions. The results of the follow-up reviews are reported to the relevant Audit Committees. From this EQA, it is evident that Mid Kent Audit conforms to performance standard 2500 and the LGAN.

5.14 **Performance Standard 2600 – Communicating the Acceptance of Risk**

Standard 2600 considers the arrangements which should apply if the Head of Audit Partnership has concluded that a client's management has accepted a level of risk that may be unacceptable to the organisation. Situations of this kind are expected to be rare. Consequently, we did not see any during this EQA. From this external quality assessment, it is evident that Mid Kent Audit conforms to performance standard 2600 and the LGAN.

6. Areas of partial conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

6.1 There are no areas of partial conformance with the Public Sector Internal Audit Standards.

7. Areas of non-conformance with the Public Sector Internal Audit Standards and the CIPFA Local Government Application Note

7.1 There are no areas of non-conformance with the Public Sector Internal Audit Standards.

8. Issues for management action

8.1 Although Mid Kent Audit conforms to the PSIAS there are a few minor issues that management should consider addressing. Some of these relate directly to the standards while others relate more to the effectiveness of the service they provide to their clients and potential opportunities to grow the business.

8.2 All of Mid Kent Audit's employees are required to complete and sign an annual declaration of interest form. This is common throughout the public sector,

however, many public sector internal audit services are now expanding these documents to include a statement that the employee has read and understood the requirements placed upon them by the standards, the code of ethics and the seven principles of public life as this is now regarded as good practice. We suggest consideration is given to adding such a paragraph to the declaration of interest forms for all Mid Kent Audit employees.

- 8.3 Mid Kent Audit has used IDEA in the past for data analytics but is no longer using it and does not have the current version of the application. The IDEA application has improved considerably since the last version Mid Kent Audit used, and coupled with the SmartAnalyser add-on tool, provides an effective and efficient way of auditing the core financial and HR systems used by Mid Kent Audits clients.
- 8.4 Mid Kent Audit's clients have indicated that they would like to see them be more insightful with their audits. There are a number of ways this can be achieved, such as cross cutting reviews across all of the partner authorities, horizon scanning and briefing sessions / documents for managers, and using data analytic tools such as the CIPFA Nearest Neighbours and VFM models,
- 8.5 As Mid Kent Audit conforms to the PSIAS, we suggest that they consider adding the statement 'Conforms with the Public Sector Internal Audit Standards'. to the individual audit reports that they issue. A similar, although not identical, statement is already included in the annual report.
- 8.6 The current audit report format for all of Mid Kent Audit's clients does not include a statement limiting the distribution and use of the report and its content. It is good practice to include such a statement in audit reports as it acts as a warning to readers not to release reports to third parties before they enter the public domain through the agreed distribution channels. Such a statement may also deter readers from extracting parts of the report and using it out of context to satisfy their own agendas. It is suggested that Mid Kent Audit consider adding a statement limiting the distribution and use of the report and its content to all audit reports.
- 8.7 The most recent collaboration agreement which formalises governance for the partnership is out of date, expiring in 2019. The authorities should work towards striking a new agreement that reflects their wishes and ambitions for Mid Kent Audit.
- 8.8 A summary of the agreed actions to address the above issues is included at the end of this report.

9. Action Plan

1. Statement limiting distribution and use of audit reports (Low priority)	
Rationale	Agreed Action
The current audit report format for all of Mid Kent Audit's clients does not include a statement limiting the distribution and use of the report and its content. It is good practice to include such a statement in audit report as it acts as a warning to readers not to release reports to third parties before they enter the public domain through the agreed distribution channels. Such a statement may also deter readers from extracting parts of the report and using it out of context to satisfy their own agendas. The Head of Audit Partnership should consider adding a statement to the audit reports limiting the distribution and use of the report and its content.	This is a fair and sensible suggestion to clarify the purpose of our reporting. We are consulting with CIPFA on example paragraphs and will then add suitable wording to our standard templates.
Action Responsibility	Head of Audit Partnership
Deadline	All reports for audit year 2020/21 and onward

2. Conforms to the IPPF (PSIAS) statement (Low priority)	
Rationale	Agreed Action
As Mid Kent Audit conforms to the PSIAS, we suggest that they consider adding the statement 'Conforms with the Public Sector Internal Audit Standards'. to the individual audit reports that they issue. A similar, but not identical, statement is already included in the Head of Audit Partnership's annual report and opinion.	This is a discretionary element of the Standards we have not previously applied. However, with clarification on our conformance provided by this review, we will consult with CIPFA on appropriate wording and add to our standard templates.
Action Responsibility	Head of Audit Partnership
Deadline	All reports for audit year 2020/21 and onward

3. Enhancement of the annual declaration of interest forms (Advisory)	
Rationale	Agreed Action
All of Mid Kent Audit's employees are required to complete and sign an annual declaration of interest form. This is common throughout the public sector, however, many public sector internal audit services are now expanding these documents to include a statement that the employee has read and understood the requirements placed upon them by the standards, the code of ethics and the seven principles of public life as this is now regarded as good practice. We suggest consideration is given to adding such a paragraph to the declaration of interest forms for all Mid Kent Audit employees	<p>We agree this is a sensible precaution but would wish to protect the audit team from excess administration by incorporating this declaration within (or alongside) existing practices at Maidstone BC.</p> <p>We will consult with Mid Kent Legal (who manage the overall declaration process) with a view to implementing a combined declaration for the audit service which meets all corporate and standards requirements for the new audit year.</p>
Action Responsibility	Head of Audit Partnership
Deadline	30 June 2020

4. Expand the use of data analytics (Advisory)	
Rationale	Agreed Action
Mid Kent Audit has used IDEA in the past for data analytics but is no longer using it and does not have the current version of the application. The IDEA application has improved considerably since the last version Mid Kent Audit used, and coupled with the SmartAnalyser add-on tool, provides an effective and efficient way of auditing the core financial and HR systems used by Mid Kent Audits clients. Consideration should be given to obtaining the latest version of IDEA and SmartAnalyser.	<p>We agree that the use of data analytics as a general discipline, plus the authority's use and reliance on data, has advanced considerably since we last used IDEA in 2014.</p> <p>We will take a look at IDEA, and perhaps other related packages, with a view to trialling use in the 2020/21 audit plan.</p>
Action Responsibility	Head of Audit Partnership
Deadline	30 June 2020

5. Provide greater insight for clients (Advisory)	
Rationale	Agreed Action
Mid Kent Audit's clients have indicated that they would like to see them be more insightful with their audits. There are a number of ways this can be achieved, such as cross cutting reviews across all of the partner authorities, horizon scanning and briefing sessions / documents for managers, and using data analytic tools such as the CIPFA Nearest Neighbours and VFM models,	<p>We have periodically completed comparative work across the partnership and note it has been well received. With our use of Pentana since 2018, it has become easier to collate and organise our work in such a way to support broader use of our findings and insights.</p> <p>We will liaise within the audit management team and with clients on how best to take forward the information we gather to support this sort of analysis, with a view to trialling one or more approaches as part of our 2020/21 audit plan.</p>
Action Responsibility	Head of Audit Partnership
Deadline	30 September 2020

6. Renew collaboration agreement (Advisory)	
Rationale	Agreed Action
The most recent collaboration agreement which formalises governance for the partnership is out of date, expiring in 2019. The authorities should work towards striking a new agreement that reflects their wishes and ambitions for Mid Kent Audit.	We will revisit discussions around the current replacement draft and drive this discussion forward among the authorities.
Action Responsibility	Head of Audit Partnership & Mid Kent Services Director
Deadline	31 December 2020

10. Definitions

Fully Conforms	The internal audit service complies with the standards with only minor deviations. The relevant structures, policies, and procedures of the internal audit service, as well as the processes by which they are applied, at least comply with the requirements of the section in all material respects.
Partially Conforms	The internal audit service falls short of achieving some elements of good practice but is aware of the areas for development. These will usually represent significant opportunities for improvement in delivering effective internal audit and conformance to the standards.
Does Not Conform	The internal audit service is not aware of, is not making efforts to comply with, or is failing to achieve many/all of the elements of the standards. These deficiencies will usually have a significant adverse impact on the internal audit service's effectiveness and its potential to add value to the organisation. These will represent significant opportunities for improvement, potentially including actions by senior management or the board.

Action Priorities	Criteria
High priority	The internal audit service needs to rectify a significant issue of non-conformance with the standards. Remedial action to resolve the issue should be taken urgently.
Medium priority	The internal audit service needs to rectify a moderate issue of conformance with the standards. Remedial action to resolve the issue should be taken, ideally within six months.
Low priority	The internal audit service should consider rectifying a minor issue of conformance with the standards. Remedial action to resolve the issue should be considered but the issue is not urgent.
Advisory	These are issues identified during the course of the EQA that do not adversely impact the service's conformance with the standards. Typically, they include areas of enhancement to existing operations and the adoption of best practice.

The co-operation of the Head of Audit Partnership and Head of Internal Audit, the Deputy Heads of Audit, Audit Managers, and the Business Support Unit at Mid Kent Audit in providing the information requested for this EQA, is greatly appreciated. Our thanks also go to chairs of Audit Committees and the Finance Directors from Mid Kent Audit's clients that made themselves available for interview during the EQA process and/or completed questionnaires.

Ray Gard, CPFA, FCCA, FCIIA, DMS

XX March 202-

This report has been prepared by CIPFA at the request of the Management Board of Mid Kent Audit, and Mid Kent Audit's Head of Audit Partnership, the terms for the preparation and scope of the report have been agreed with them. The matters raised are only those that came to our attention during our work. Whilst every care has been taken to ensure that the information provided in this report is as accurate as possible, we have only been able to base findings on the information and documentation provided. Consequently, no complete guarantee can be given that this report is necessarily a comprehensive statement of all the issues with their conformance to the Public Sector Internal Audit Standards that exist, or of all the improvements that may be required.

The report was prepared solely for the use and benefit of the Management Board of Mid Kent Audit, and Mid Kent Audit's Head of Audit Partnership, and to the fullest extent permitted by law, CIPFA accepts no responsibility and disclaims all liability to any third party who purports to use or rely, for any reason whatsoever on the report, its contents, conclusions, any extract, and/or reinterpretation of its contents. Accordingly, any reliance placed on the report, its contents, conclusions, any extract, reinterpretation, amendment and/or modification by any third party is entirely at their own risk.

Appendix A

Summary of Survey Results

As part of the EQA process, CIPFA used a questionnaire to obtain the views of the key stakeholders from Mid Kent Audit Partnership's clients. The questionnaire was sent to the Heads of Finance and audit committee chairs of each client and thirty five completed questionnaires were returned.

No.	Question	Responses Received		
		Agree	Partially Agree	N/A
1	The internal audit service is seen as a key strategic partner throughout the organisation.	30	5	0
2	Senior managers understand and fully support the work of internal audit.	33	2	0
3	Internal audit is valued throughout the organisation.	30	4	1
4	The internal audit service is delivered with professionalism at all times.	35	0	0
5	The internal audit service responds quickly to changes within the organisation.	29	6	0
6	The internal audit service has the necessary resources and access to information to enable it to fulfil its mandate.	32	3	0
7	The internal audit service is adept at communicating the results of its findings, building support and securing agreed outcomes	32	3	0
8	The internal audit service's recommendations consider the wider impact on the organisation	32	3	0
9	The internal audit service ensures that recommendations made are proportionate, commercial and practicable in relation to the risks identified.	31	4	0
10	There have not been any significant control breakdowns or surprises in areas that have been positively assured by the internal audit service	33	2	0
11	The internal audit service includes consideration of all risk areas in its work programme.	33	2	0
12	Internal audit advice has a positive impact on the governance, risk management, and the system of control of the organisation.	34	1	0
13	Internal audit activity has enhanced organisation-wide understanding of governance, risk management, and internal control.	33	2	0

No.	Question	Responses Received		
		Agree	Partially Agree	N/A
14	The internal audit service asks challenging and incisive questions that stimulate debate and improvements in key risk areas.	30	5	0
15	The internal audit service raises significant control issues at an appropriate level and time in the organisation.	34	1	0
15	The organisation accepts and uses the business knowledge of internal auditors to help improve business processes and meet strategic objectives.	24	11	0
17	Internal audit activity influences positive change and continuous improvement to business processes, bottom line results and accountability within the organisation	33	2	0
18	Internal audit activity promotes appropriate ethics and values within the organisation	34	1	0

Agenda Item 15

Audit, Governance & Standards Committee

29th July 2020

Treasury Management Annual Review 2019/20

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

Executive Summary

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

Council has delegated the role of considering these reports to the Audit, Governance and Standards Committee.

This report sets out the activities of the Treasury Management function for 2019/20 financial year.

Purpose of Report

This report requires noting from the Committee.

This report makes the following recommendations to this Committee:

1. That the review of the financial year 2019/20 in accordance with CIPFA's Code of Practice on Treasury Management along with the prudential and treasury indicators is noted.
2. That no amendments to the current treasury management procedures are necessary as a result of the review of activities in 2019/20.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	29 th July 2020

Treasury Management Annual Review 2019/20

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Treasury Management Function ensures the safeguarding of Council finances and the liquidity of funds when liabilities become due to support the strategic plan objectives.	Head of Finance
Cross Cutting Objectives	The report recommendations support the achievements of all the cross cutting objectives in the way stated above.	Head of Finance
Risk Management	Covered in the risk section of this report.	Head of Finance
Financial	This report relates to the financial activities of the council in respect of treasury management and specific financial implications are therefore detailed within the body of the report.	Section 151 Officer & Finance Team
Staffing	None	Head of Finance
Legal	<ul style="list-style-type: none"> Under Section 151 of the Local Government Act 1972 (LGA 1972) the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including securing effective arrangements for treasury management. The legal implications are detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities. <p>In considering the impact of Covid-19 on the Council's financial position in 2020/21, consideration should be given to the Council's legal duty to set a balanced budget. Appropriate remedial action should be taken if at any time it appears likely that expenditure will exceed available resources. The S151 Officer has a personal duty under Section 114(3) of the Local Government Finance Act 1988 to report to the Council if it appears that the set budget will be exceeded. Having received a S114 report, members are obliged to</p>	Team Leader (Corporate Governance), MKLS

	take all reasonable practical measures to bring the budget back into balance.	
Privacy and Data Protection	None	Policy and Information Team
Equalities	The recommendations do not propose a change in service therefore will not require an equalities impact assessment	Equalities and Corporate Policy Officer
Public Health	None	Public Health Officer
Crime and Disorder	None	Head of Finance
Procurement	None	Head of Finance & Section 151 Officer

2. INTRODUCTION AND BACKGROUND

2.1 This Council is required by regulations issued under the Local Government Act 2003 to produce an annual treasury management review of activities and the actual prudential and treasury indicators for 2019/20. This report meets the requirements of both the CIPFA Code of Practice on Treasury Management, (the Code), and the CIPFA Prudential Code for Capital Finance in Local Authorities, (the Prudential Code).

2.1.1 The Treasury Management Strategy Statement (TMSS) for 2019/20 states the reporting requirements for the following reports:

- an annual treasury strategy in advance of the year (Full Council 27th February 2019)
- a mid-year treasury update report (Audit, Governance & Standards Committee 18th November 2019)
- an annual review following the end of the year describing the activity compared to the strategy (Audit Governance & Standards Committee - this report)

2.1.2 This report sets out the activities of the treasury management function for 2019/20 financial year in accordance with CIPFA's Code of Practice on

Treasury Management in Local Authorities. It also sets this in the context of the economic environment over the past 12 months.

2.1.3 The Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.

2.1.4 The Authority's Treasury Management Strategy Statement for 2019/20 was approved by full Council on 27th February 2019. The key elements of the Strategy are:

- Utilise cash balances rather than loan debt to finance the capital programme in the short term, due to low investment returns and high counterparty risk in the current economic climate; and
- Further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments is considered. Greater use of local authority investments will be used where the borrowers offer a high level of security.
- Continue to utilise Council's reserves, balances and cash flow as a temporary measure, due to investment returns being low and counterparty risk is relatively high, until a time where borrowing is required to fund the capital programme.

2.2 Economic Overview

2.2.1 The main issue in 2019 was to agree on a way forward for the UK over the issue of Brexit. This resulted in the resignation of Theresa May as the leader of the Conservative minority Government and the election of Boris Johnson as the new leader, on a platform of taking the UK out of the EU.

2.2.2 A general election was held in December 2019 which saw a majority government formed by the Conservative Party, which enabled the UK to leave the EU on 31 January 2020. However, this still leaves much uncertainty as to whether there will be a reasonable trade deal achieved by the target deadline of the end of 2020. It is also unclear as to whether the coronavirus outbreak may yet impact on this deadline; however, the second and third rounds of negotiations have already had to be cancelled due to the coronavirus.

2.2.3 In 2019 economic growth has been very volatile with quarter 1 unexpectedly strong at 0.5%, quarter 2 falling by -0.2%, quarter 3 bouncing back up to +0.5% and quarter 4 flat at 0.0%, +1.1% year on year. However, the three-monthly GDP statistics in January were disappointing, being stuck at 0.0% growth. Since then, the whole world has changed because of the coronavirus outbreak.

2.2.4 It now looks likely that the closedown of whole sections of the economy will result in a fall in GDP of at least 15% in quarter two. What is uncertain, however, is the extent of the damage that will be done to businesses by the lock down period, whether there could be a second

wave of the outbreak, how soon a vaccine will be created and then how quickly it can be administered to the population. This leaves huge uncertainties as to how quickly the economy will recover.

- 2.2.5 The Monetary Policy Committee raised Bank Rate from 0.5% to 0.75% in August 2018. After the coronavirus outbreak, two emergency cuts in Bank Rate from 0.75% occurred in March, first to 0.25% and then to 0.10%. These cuts were accompanied by an increase in quantitative easing (QE), essentially the purchases of gilts (mainly) by the Bank of England of £200bn. The Government and the Bank also acted to stop people losing their jobs during the lock down period. Accordingly, the Government introduced various schemes to subsidise both employed and self-employed jobs for three months while the country was locked down. It also put in place a raft of other measures to help businesses access loans from their banks, (with the Government providing guarantees to the banks against losses), to tide them over the lock down period when some firms may have had little or no income.
- 2.2.6 Inflation during the year has stayed between 1.5-2.0%. Prices are under a downward pressure while wage inflation has also been on a downward path over the last half year and is likely to continue that trend in the current environment. While inflation could even turn negative in the Eurozone, this is currently not considered likely in the UK.

2.3 Treasury Management Activity

- 2.3.1 The CIPFA Code and Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council has adhered to these principles during 2019/20.
- 2.3.2 The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2019/20 the Authority's investment balances have ranged between £7.75m and £37.3m. The average investment balance for the year was £25m. The Council held investments totalling £11.025m as at 31st March 2019. A full list of these can be found within **Appendix A**.
- 2.3.3 Investment income for the year totalled £208k which exceeded the budget for 2019/20 of £100k. This was due to the fact that for most of the year the Council held higher than expected cash balances and short term rates remained at higher than expected levels. The average rate for investments for the year 0.82%. However, this is not likely to continue through 2020/21 with the reduction of interest rates as previously mentioned in this report.
- 2.3.4 All the Council's investments during the year were short term, so that they would be readily available when funding was required for the capital programme.
- 2.3.5 All investments during the year have been within the agreed limits of the Treasury Management Strategy 2019/20.

2.4 Borrowing Activity

- 2.4.1 During 2019/20, the Council maintained an under-borrowed position. This meant that the capital borrowing need, (the Capital Financing Requirement), was not fully funded with loan debt, as cash supporting the Council's reserves, balances and cash flow was used as an interim measure. This strategy was prudent as this reduces cost of carry and minimises counterparty risk on placing investments.
- 2.4.2 In November 2019, the Council undertook £7m of short term borrowing to fund the purchase of the Lockmeadow Leisure Complex, of which the total cost £19m. The balance was funded through the Council's own resources (internal borrowing). Short term borrowing was the cheapest option for the Council at this time, however this is being constantly monitored against longer term rates.
- 2.4.3 The Council needed to borrow a further £4m by the end of the year, making total borrowings as at 31st March 2020 of £11m. Typically the end of the year, before Council Tax for the new financial year starts to be collected, is the point of peak demand on the Council's cash balances. A full list of borrowings can be found in **Appendix B**.
- 2.4.4 The Council has borrowed within the parameters set within the Treasury Management Strategy for 2019/20.

2.5 Prudential and Treasury Indicators

- 2.5.1 The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year.
- 2.5.2 The Council has operated within its Prudential and Treasury Indicators set out in the Treasury Management Strategy 2019/20 and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **Appendix C**.

2.6 Compliance Report

- 2.6.1 The Director of Finance & Business Improvement can confirm that all treasury management activities undertaken during 2019/20 complied fully with the CIPFA Code of Practice and the Authority's approved Treasury Management Strategy.

3. AVAILABLE OPTIONS

- 3.1 The Audit, Governance and Standards Committee could agree that no amendments to the current procedures are necessary as a result of the review of activities in 2019/20.
 - 3.2 The Audit, Governance and Standards Committee could propose changes to the current procedures as a result of the review of activities in 2019/20.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit, Governance and Standards Committee agrees that no amendments to the current strategy for 2020/21 are necessary as a result of the review of activities in 2019/20 as there is no justification to make any changes.
-

5. RISK

- 5.1 Risks are highlighted for the treasury management function within the Treasury Management Strategy Statement 2019/20 report. This report is purely for information purposes and has no risk management implications.

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 None
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

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

8. REPORT APPENDICES

- 8.1 The following documents are to be published with this report and form part of the report:
 - Appendix A: List of Investments as at 31st March 2020
 - Appendix B: List of Borrowing as at 31st March 2020
 - Appendix C: Prudential and Treasury Indicators
-

9. BACKGROUND PAPERS

- 9.1 None

Maidstone Borough Council Investments as at 31st March 2020

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	MBC Credit Limits	
						Suggested Term	Maximum Deposit
London Borough of Croydon	Fixed Term Deposit	2,000,000	01/05/2018	01/05/2020	1.05%	5 Years	£5,000,000
Lloyds Bank Plc	Notice Account Depositi	1,000,000			1.10%	12 Months	£3,000,000
HSBC Bank Plc	Notice Account Depositi	3,000,000			0.50%	12 Months	£3,000,000
Aberdeen Asset Management	Money Market Fund	2,905,000			0.45%	2 Years	£8,000,000
Federated Investors LLP	Money Market Fund	1,000,000			0.35%	2 Years	£8,000,000
Goldman Sachs	Money Market Fund	1,120,000			0.28%	2 Years	£8,000,000

11,025,000

Maidstone Borough Council Borrowing as at 31st March 2020

Counterparty	Type of Institution	Principal £	Start Date	Maturity Date	Rate of Return
North Somerset District Council	Local Authority	3,000,000	22/11/2019	30/04/2020	0.80%
North Yorkshire County Council	Local Authority	4,000,000	22/11/2019	20/11/2020	0.97%
Ceredigion County Council	Local Authority	1,000,000	04/03/2020	02/04/2020	0.80%
Ribble Valley Borough Council	Local Authority	1,000,000	20/03/2020	06/04/2020	1.50%
Horsham District Council	Local Authority	2,000,000	23/03/2020	23/04/2020	2.00%

11,000,000

Please Note: The Capital Programme was updated in the early part of 2019/20 with the inclusion of property acquisitions and slippage from 2018/19. The estimate figures below have been updated from the original TMS 2019/20.

PRUDENTIAL INDICATORS

Ratio of Financing Costs to Net Revenue Stream

2018/19 Actual %	2019/20 Estimate %	2019/20 Actual %
-1.1	1.2	-0.9
2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
-0.11	0.24	-0.18

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. A negative figure shows investment income is higher than borrowing costs. This indicator is shown as a percentage and as a monetary value of the net revenue

Capital Expenditure

2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
16.520	51.553	39.211

This indicator shows the total amount spent within the capital programme against what was estimated for 2019/20.

Capital Financing Requirement

2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
12.097	56.177	39.940

The Capital Financing Requirement (CFR) measures the Authority's underlying need to borrow for a capital purpose. Borrowing can be made external or using the Council's own resources (internal borrowing).

Treasury Indicators

Authorised Limit for External Debt

	2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
Borrowing	3.940	43.853	11.000
Other Long Term Liabilities	3.526	3.047	3.047
Total	7.466	46.900	14.047

This is the main limit which is set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003. This includes the level of external borrowing and the financial liability in regards to the leisure centre. Total debt as at the end of 2019/20 was £14.047m.

Operational Limit for External Debt

	2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
Borrowing	3.940	33.853	11.000
Other Long Term Liabilities	3.526	3.047	3.047
Total	7.466	36.900	14.047

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

Maturity structure of fixed rate borrowing during 2019/20

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

The Council borrowed £11m during 2019/20 which was all short term debt. Maturity dates are within 1 year.

Actual External Debt

2018/19 Actual £m	2019/20 Estimate £m	2019/20 Actual £m
7.466	36.900	14.047

This indicator shows the Council level of gross debt as at 31st March 2020.

Agenda Item 16

AUDIT, GOVERNANCE & STANDARDS COMMITTEE

29 July 2020

Annual Accounts 2019/20

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

Executive Summary

This report sets out the findings of the external auditor's work on the 2019/20 financial statements audit and value for money conclusion, and requests that the Committee approves the 2019/20 financial statements.

We understand that the external auditor is intending to issue an unqualified audit opinion and value for money conclusion. However, it is anticipated that the opinion for this year will include an Emphasis of Matter paragraph, highlighting property valuation material uncertainties for both the Council property and their share of assets included in the IAS 19 pension fund actuarial position. A representative from the external audit team will be in attendance at the meeting to present the audit findings and respond to any questions the Committee may have.

Purpose of Report

The Committee is asked to note the external auditor's audit findings report at Appendix 1, and to approve the final 2019/20 statement of accounts (Appendix 2) and Letter of Representation (Appendix 3).

This report makes the following recommendations to this Committee:

1. That the external auditor's Audit Findings Report, attached at Appendix 1 is noted.
2. That the audited Statement of Accounts attached at Appendix 2 is approved.
3. That the Letter of Representation attached at Appendix 3 is approved.

Timetable

Meeting	Date
Audit, Governance & Standards Committee	29 July 2020

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Director of Finance and Business Improvement
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance and Business Improvement
Risk Management	This is detailed within section 5.	Director of Finance and Business Improvement
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2020, and details the council's assets, liabilities and reserves at this date.	Director of Finance and Business Improvement
Staffing	No implications identified.	Director of Finance and Business Improvement
Legal	No implications identified.	Director of Finance and Business Improvement
Privacy and Data Protection	No implications identified.	Director of Finance and Business Improvement
Equalities	No implications identified.	Director of Finance and Business Improvement
Public	No implications identified.	Director of

Health		Finance and Business Improvement
Crime and Disorder	No implications identified.	
Procurement	No implications identified.	Director of Finance and Business Improvement

2. INTRODUCTION AND BACKGROUND

2.1 The Council is required to have its audited Statement of Accounts approved by the Audit, Governance and Standards Committee by 30 November 2020 in accordance with the amended Accounts & Audit Regulations.

2.2 The Statement of Accounts consists of:

Narrative Report – this summarises the Council’s performance over the financial year 2019/20 and highlights the most significant elements of the financial statements.

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

Movement in Reserves Statement – this is a financial statement which details the balances the council held in reserves at 31 March 20, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

Balance Sheet – this can be seen as a ‘snapshot’ of the authority’s financial position at a specific point in time, showing what it owns and owes at 31 March 2020.

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

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

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

- 2.3 The council's financial statements must comply with CIPFA's Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.
- 2.4 Due to the impact of the Covid-19 pandemic on local authorities the Government amended the deadlines for the publication and approval of the accounts. The date for publication was amended from 31 May 2020 to 31 August 2020, and the date for formal approval amended from 31 July 2020 to 30 November 2020.
- 2.5 However, the decision was taken to seek approval at this Committee as this will enable a greater focus on the upcoming budget cycle which will take on more significance than usual given the financial pressures that the Council will now need to address.
- 2.6 The audited version of the Statement proposed for approval at this meeting is attached at Appendix 2.
- 2.7 The headline messages from the Statement of Accounts can be summarised as follows:
- There has been a significant increase in the value of Property, Plant & Equipment held on the Balance Sheet following the acquisition of the Lockmeadow Entertainment Complex. This is also reflected in the increase in unusable reserves.
 - In relation to the above acquisition, the Council entered into a borrowing position during 2019/20, which is reflected in short term borrowing of £11m shown on the balance sheet.
 - Short term creditors have increased by £10m, which reflects an increase in Section 106 monies received from developers that will be passed onto other organisations, primarily Kent County Council and the NHS, and an increase in the amounts payable to central government under the collection fund arrangements for business rates.
 - The accounts show that the balance of usable reserves has increased by £1.5m to £17.2m at the end of 2019/20 which arises from an increase in balances held within earmarked reserves.
- 2.8 The Statement of Accounts attached at Appendix 2 reflect changes that were identified during the course of the audit, and also incorporates

suggestions made by members during the briefing session held in July.

- 2.9 A small number of suggestions to improve the presentation and clarity of the accounts were made by the external auditor and have been taken on board by officers. These were mainly to deal with rounding and consistency issues, and clarifying the new requirements around IFRS 15 which deals with recognition of revenue income.
- 2.10 External audit work is now substantially complete, and findings will be summarised within the Audit Findings Report.

Letter of Representation

- 2.11 The Letter of Representation attached at Appendix 3 is written from the Council to the external auditor and will be signed by the Director of Finance and Business Improvement and the Audit, Governance and Standards Committee Chair. Highlighted sections of this letter will be updated on conclusion of the auditor's work, prior to the opinion being issued.
- 2.12 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 2019/20 and applicable law.
- 2.13 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.
- 2.14 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 2020/21 onwards and the capital programme, asset management plan and medium term financial strategy for 2020/21 onwards consider only service efficiencies and growth in corporate or service objectives.

3. AVAILABLE OPTIONS

- 3.1 The recommendation being made to the Committee is to approve the Statement of Accounts for 2019/20, taking into consideration the work of the external auditor.
- 3.2 If the Committee chose not to approve the Statement of Accounts, this would result in the Council failing to meet its statutory responsibilities under the Accounts and Audit Regulations.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The formal approval of the Statement of Accounts is a statutory requirement. The draft opinion of the external auditor is provided within Appendix 2 and concludes that the financial statements:
- give a true and fair view of the financial position of the Authority as at 31 March 2020 and of its expenditure and income for the year then ended;
 - have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2019/20; and
 - have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.
- 4.2 On this basis, it is considered appropriate for the Committee to approve the audit Statement of Accounts for 2019/20.
-

5. RISK

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

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this have been published on the Council's website and the statutory period ends on 17 August. To date, no enquiries have been received in relation to this.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The external auditor is required to issue the audit opinion by 30 November.
-

8. REPORT APPENDICES

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

- Appendix 1: External Auditor's Audit Findings Report
 - Appendix 2: Audited Statement of Accounts 2019/20
 - Appendix 3: Letter of Representation
-

9. BACKGROUND PAPERS

None



The Audit Findings for Maidstone Borough Council

Year ended 31 March 2020

29 July 2020



Contents



Your key Grant Thornton team members are:

Paul Dossett

162 **Key Audit Partner**

T: 020 7728 3180

E: paul.dossett@uk.gt.com

Tina James

Audit Manager

T: 020 7728 3307

E: tina.b.james@uk.gt.com

Ke Ma

Associate

T: 020 7865 2905

E: ke.ma@uk.gt.com

Section	Page
1. Headlines	3
2. Financial statements	6
3. Value for money	16
4. Independence and ethics	20
Appendices	
A. Action Plan	22
B. Follow up of prior year recommendations	23
C. Audit adjustments	24
D. Fees	26
E. Audit Opinion	27
F. Management Letter of Representation	28

The contents of this report relate only to those matters which came to our attention during the conduct of our normal audit procedures which are designed for the purpose of expressing our opinion on the financial statements. 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 control weaknesses, we will report these to you. In consequence, our work cannot be relied upon to disclose all defalcations or other irregularities, or to include all possible improvements in internal control that a more extensive special examination might identify. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

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

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Maidstone Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

Covid-19	<p>The outbreak of the Covid-19 coronavirus pandemic has had a significant impact on the normal operations of the Council . The Council as well as the finance team have faced a number of front line challenges including access to systems, the administration of support to businesses, closure of car parks and leisure services with additional challenges of reopening services under new government guidelines.</p> <p>Authorities are still required to prepare financial statements in accordance with the relevant accounting standards and the Code of Audit Practice, albeit to an extended deadline for the preparation of the financial statements up to 31 August 2020 and the date for audited financials statements to 30 November 2020.</p>	<p>We updated our audit risk assessment to consider the impact of the pandemic on our audit and issued an audit plan addendum in April 2020. In that addendum we reported an additional financial statement risk in respect of Covid -19 and highlighted the impact on our VfM approach. Further detail is set out on page 7.</p> <p>Restrictions for non-essential travel has meant both Council and audit staff have had to deal with a number of audit challenges, including new remote access working arrangements i.e. remote accessing financial systems, video calling and remotely observing information produced by the entity. The audit has, and continues to be delivered remotely.</p>
-----------------	---	---

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Maidstone Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p>Financial Statements</p>	<p>Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion, the Council's financial statements:</p> <ul style="list-style-type: none"> • give a true and fair view of the financial position of the Council and its income and expenditure for the year; and • have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014. <p>We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p>	<p>Our audit work has been undertaken remotely during July. Our findings are summarised on pages 6 to 13. We have identified no adjustments to the financial statements to date that have resulted in a £NIL adjustment to the Council's Comprehensive Income and Expenditure Statement. Audit adjustments are detailed in Appendix C. We have also raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year's audit are detailed in Appendix B.</p> <p>In our Audit Planning Report we included reference to the work required on the group accounts which the Council was intending to prepare for the first time. Due to the challenges presented by the new ways of working under Covid-19 restrictions management made the decision to refrain from preparing group accounts in 2019-20 on the grounds of materiality.</p> <p>Our work is substantially complete and there are no matters of which we are aware that would require modification of our audit opinion (Appendix E) or material changes to the financial statements, subject to the following outstanding matters;</p> <ul style="list-style-type: none"> • Completion of PPE valuation testing • Review of updated cashflow forecasts • Receipt of assurance from the Kent Pension Fund auditor and clearance of queries relating to movements in the liability in 2019-20 • Receipt of third party confirmation of bank balances • Internal review procedures • receipt of management representation letter – see appendix F; and • review of the final set of financial statements. <p>We have concluded that the other information to be published with the financial statements is consistent with our knowledge of your organisation. The financial statements we have audited is up until 31 March 2020 which was prior to the outbreak of the Covid-19 coronavirus pandemic.</p> <p>Our anticipated audit report opinion will be unqualified including an Emphasis of Matter paragraph, highlighting PPE valuation material uncertainties for both the Council property and their share of assets included in the IAS 19 pension fund actuarial position.</p>
------------------------------------	---	--

Headlines

This table summarises the key findings and other matters arising from the statutory audit of Maidstone Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2020 for those charged with governance.

<p>Value for Money arrangements</p>	<p>Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report if, in our opinion, the Council has made proper arrangements to secure economy, efficiency and effectiveness in its use of resources ('the value for money (VFM) conclusion').</p>	<p>We have completed our risk based review of the Council's value for money arrangements. We have concluded that the Council has proper arrangements to secure economy, efficiency and effectiveness in its use of resources.</p> <p>We have updated our VfM risk assessment to document our understanding of your arrangements to ensure critical business continuity in the current environment. We have not identified any new VfM risks in relation to Covid-19.</p> <p>We therefore anticipate issuing an unqualified value for money conclusion. Our findings are summarised on pages 16 to 19.</p>
<p>Statutory duties</p>	<p>The Local Audit and Accountability Act 2014 ('the Act') also requires us to:</p> <ul style="list-style-type: none"> • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • To certify the closure of the audit. 	<p>We have not exercised any of our additional statutory powers or duties</p> <p>We have completed the majority of work under the Code and expect to be able to certify the completion of the audit when we give our audit opinion.</p>

165

Acknowledgements

We would like to take this opportunity to record our appreciation for the assistance and timely collaboration provided by the finance team and other staff during these unprecedented times.

Audit approach

Overview of the scope of our audit

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

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

Audit approach

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

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

We have had to alter our audit plan, as communicated to you in April 2020, to reflect our response to the Covid-19 pandemic.

Conclusion

We have substantially completed our audit of your financial statements and subject to outstanding queries being resolved, we anticipate issuing an unqualified audit opinion following the Audit, Governance and Standards Committee meeting on 29 July 2020 and following the end of the inspection period on 17 August 2020. These outstanding items listed on page 4.

Our approach to materiality

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

Materiality levels remain the same as reported in our audit plan.

	Council Amount (£)	Qualitative factors considered
Materiality for the financial statements	1,800,000	This has been calculated based upon 2% of your prior year expenditure
Performance materiality	1,260,000	This has been calculated as 70% of headline materiality, based upon our assessment of the likelihood of a material misstatement in the financial statements
Trivial matters	90,000	
Materiality for related party transactions and senior officer remuneration	100,000	Due to the additional sensitivity and external interest for these areas a lower threshold was applied.

Significant audit risks

Risks identified in our Audit Plan

Auditor commentary

Covid- 19

We:

- worked with management to understand the implications the response to the Covid-19 pandemic had on the organisation’s ability to prepare the financial statements and update financial forecasts and assessed the implications for our materiality calculations. No changes were made to materiality levels previously reported. The draft financial statements were provided on 19 June 2020;
- liaised with other audit suppliers, regulators and government departments to co-ordinate practical cross-sector responses to issues as and when they arose. Examples include the material uncertainty disclosed by the Council’s property valuation expert
- evaluated the adequacy of the disclosures in the financial statements that arose in light of the Covid-19 pandemic;
- evaluated whether sufficient audit evidence could be obtained through remote technology;
- evaluated whether sufficient audit evidence could be obtained to corroborate significant management estimates such as assets and the pension fund liability valuations ;
- evaluated management’s assumptions that underpin the revised financial forecasts and the impact on management’s going concern assessment;
- discussed with management the implications for our audit report where we have been unable to obtain sufficient audit evidence .

Our work in this area is still ongoing in relation to the pension fund liability.

The revenue cycle includes fraudulent transactions (rebutted)

Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council, we have determined that the risk of fraud arising from revenue recognition can be rebutted. Therefore we do not consider this to be a significant risk for Maidstone Borough Council. Our audit work has not identified any issues in respect of revenue recognition.

167

Significant audit risks

Risks identified in our Audit Plan

Management override of controls

Auditor commentary

We have undertaken work to:

- evaluate the design effectiveness of management controls over journals
- analyse the journals listing and determine the criteria for selecting high risk unusual journals
- test unusual journals recorded during the year and after the draft accounts stage for appropriateness and corroboration
- gain an understanding of the accounting estimates and critical judgements applied made by management and consider their reasonableness with regard to corroborative evidence
- evaluate the rationale for any changes in accounting policies, estimates or significant unusual transactions.

Our audit work has not identified any issues in respect of management override of controls.

Valuation of land and buildings

We have undertaken work to:

- evaluate management's processes and assumptions for the calculation of the estimate, the instructions issued to valuation experts and the scope of their work
- evaluate the competence, capabilities and objectivity of the valuation expert
- write to the valuer to confirm the basis on which the valuation was carried out
- challenge the information and assumptions used by the valuer to assess completeness and consistency with our understanding
- test revaluations made during the year to see if they had been input correctly into the group's asset register
- evaluating the assumptions made by management for those assets not revalued during the year and how management has satisfied themselves that these are not materially different to current value at year end.

As disclosed in notes to the financial statements, the outbreak of Covid-19 has caused uncertainties in markets. As a result, the Council's valuer has declared a 'material valuation uncertainty' in their valuation report. The Council's valuer prepared their valuations in accordance with the RICS Valuation Standards using the information that was available to them at the valuation date in deriving their estimates

As a result of the material uncertainty being identified on the valuation of Property, Plant and Equipment, our audit opinion will include a Emphasis of Matter, drawing attention to the material uncertainty identified.

Our work is ongoing and are not able to conclude on this risk at this time

Significant audit risks

Risks identified in our Audit Plan

Valuation of pension fund net liability

Auditor commentary

We have undertaken work to:

- update our understanding of the processes and controls put in place by management to ensure that the Authority's pension fund net liability is not materially misstated and evaluate the design of the associated controls;
- evaluate the instructions issued by management to their management expert (an actuary) for this estimate and the scope of the actuary's work;
- assess the competence, capabilities and objectivity of the actuary who carried out the Authority's pension fund valuation;
- assess the accuracy and completeness of the information provided by the Authority to the actuary to estimate the liability;
- test the consistency of the pension fund asset and liability and disclosures in the notes to the core financial statements with the actuarial report from the actuary;
- undertake procedures to confirm the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and
- obtain assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data; contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements and consider whether or not any material uncertainties exist in respect of asset values.

Our work in this area is still ongoing.

Other audit risks

Risks identified in our Audit Plan

International Financial Reporting Standard (IFRS) 16 Leases – (issued but not adopted)

Auditor commentary

Although the implementation of IFRS 16 has been delayed to 1 April 2021, audited bodies still need to include disclosure in their 2019/2020 statements to comply with the requirement of IAS 8 para 31. As a minimum, we would expect audited bodies to disclose the title of the standard, the date of initial application and the nature of the changes in accounting policy for leases.

We discussed the level of disclosure required with management and upon receipt of the draft financial statements feedback on the disclosure included. This resulted in minor amendments being made to ensure compliance with Code requirements.

Accruals

In our 2018-19 Audit Findings Report we reported that during creditor and accruals testing we had identified items which had been incorrectly accrued at year end resulting in a recommendation to ensure that all accruals are reviewed by the budget holders at year end to ensure they remain valid and are accrued at the appropriate level based on supporting information.

We have therefore identified accruals as a risk.

We have performed sample testing of accruals as part of our creditor testing with no issues identified.

Accounting for the consolidation of the subsidiary

As referenced on page 4, subsequent to the presentation of our Audit Plan the Council decided not to produce Group accounts on the basis of materiality. This was discussed with management during the audit and we are satisfied no group financial statements are required.

Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
Land and Buildings – £91,042k	<p>Other land and buildings comprises specialised assets such as the leisure centre and theatre, which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. The remainder of other land and buildings are not specialised in nature and are required to be valued at existing use in value (EUUV) at year end. The Council has engaged Harrisons Chartered Surveyor to complete the valuation of properties as at 30 November 2019. The valuation of properties valued by the valuer has resulted in a net increase of £2,687k. Management have considered the year end value of non-valued properties to determine whether there has been a material change in the total value of these properties. Management’s assessment of assets not revalued has identified no material change to the properties value.</p> <p>In line with RICS guidance, the Council’s valuer disclosed a material uncertainty in the valuation of the Council’s land and buildings at 31 March 2020 as a result of Covid-19. The Council has included disclosures on this issue in Note 4.</p>	<p>We have assessed management’s estimate, considering:</p> <ul style="list-style-type: none"> • Assessment of management’s expert • Completeness and accuracy of the underlying information used to determine the estimate • Impact of any changes to valuation method • Consistency of estimate against a national benchmarking report produced by our auditors expert, Gerald Eve • Reasonableness of the movement in estimate • Challenge of the sensitivities used by the valuer to assess completeness and consistency with our understanding • Adequacy of disclosure of estimate in the financial statements <p>We consider management’s process appropriate. Our work is ongoing in relation to testing of underlying data.</p>	<p>TBC</p>

171

Assessment

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

Significant findings – key estimates and judgements

Accounting area	Summary of management’s policy	Auditor commentary	Assessment
-----------------	--------------------------------	--------------------	------------

Net pension liability – £73.677m

The Council’s net pension liability at 31 March 2020 is £73.677m (PY £71.481m) comprising the Kent Pension Fund Local Government defined benefit pension scheme obligations. The Council uses Barnett Waddingham to provide actuarial valuations of the Council’s assets and liabilities derived from this scheme. A full actuarial valuation is required every three years.

The latest full actuarial valuation was completed in 2019. A roll forward approach is used in intervening periods which utilises key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability, small changes in assumptions can result in significant valuation movements.

Our assessment of the estimate has considered:

- Assessment of management’s expert
- Assessment of actuary’s roll forward approach taken, detail work undertaken to confirm reasonableness of approach
- Use of PwC as auditors expert to assess actuary and assumptions made by actuary

Assumption	Actuary Value	Assessment
Discount rate	2.35%	●
Pension increase rate	2.35%	●
Salary growth	3.85%	●
Life expectancy – Longevity at 65 for current pensioners	21.8	●
- Males	23.7	
- Females		
Life expectancy – Longevity at 65 for future pensioners		●
- Males	23.2	
- Females	25.2	

TBC

- Completeness and accuracy of the underlying information used to determine the estimate
- Impact of any changes to valuation method
- Assessment of the information received from pension fund auditor
- Reasonableness of the Council’s share of LPS pension assets.
- Reasonableness of increase/decrease in estimate
- Adequacy of disclosure of estimate in the financial statements
- whether there are any material estimation uncertainties in respect of property values that need to be considered.

Our work in this area is ongoing and we are not able to provided a conclusion at this time

172

Significant findings – going concern

Our responsibility

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

Going concern material uncertainty disclosures

It has been a challenging year due to the Covid-19 pandemic and the impact of this has included administration of grants to businesses, closure of leisure facilities and car parks with additional challenges of reopening services under new government guidelines; staff absences due to being ill, the need to free up capacity of teams in addition to normal responsibilities. The Council is facing significant challenges.

Going concern commentary

Management's assessment process

Management's assessment process is based on your financial planning framework. You have a four year Medium Term Financial Plan (MTFP) covering the period 2020/21 to 2023/24.

Auditor commentary

- The Council has a history of achieving financial savings plans and delivering services within budget
- The Council has a comprehensive medium term planning framework. The MTFS is updated annually and integrated with your annual budget processes
- Management has concluded that it is appropriate to use the going concern basis of accounting.
- The Council has demonstrated that it has forecast the expected impact of loss of revenue and additional expenditure arising from the Covid-19 pandemic
- Management has determined that there are sufficient reserves at the end of March 2020 to cover the projected impact of Covid-19 in 2020-21.

Work performed

- The Council has delivered a revenue budget overspend of £237k for 2019/20.
- As at 31 March 2020 the draft accounts showed useable reserves of £17,193k.
- At the year end the Council has cash holdings of £10m. A cash flow forecast produced by management is forecasting deficit balances of £909k from October 2020 and a repayment of £4m of short term borrowing in November 2020. They have commented that they anticipate additional government support and the need to borrow later in the year. We have requested a cashflow forecast to at least July 2021 updated to reflect these expectations.

Concluding comments

Our work is ongoing as we await updated cashflow forecasts to reflect the expected Covid-19 impact and mitigating actions.

Other matters for communication

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

Issue	Auditor commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with the Audit, Governance and Standards Committee. We have not been made aware of any other incidents in the period and no other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council, including specific representations in respect of the property valuations, which is appended.
Confirmation requests from third parties	We requested from management permission to send confirmation request(s) to banks and third parties with whom the Council has loans. permission was granted and the requests were sent. All but one of these requests have been returned to date with positive confirmation. We are in the process of following up the remaining confirmation.
Disclosures	Our review found no material omissions in the financial statements other than in relation to the inclusion of a post balance sheet event in relation to Covid-19 impacts.
Audit evidence and explanations/significant difficulties	All information and explanations requested from management was provided.

Other responsibilities under the Code

Issue	Commentary
Other information	<p>We are required to give an opinion on whether the other information published together with the audited financial statements (including the Annual Governance Statement, Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.</p> <p>No inconsistencies have been identified. We plan to issue an unmodified opinion in this respect.</p>
Matters on which we report by exception	<p>We are required to report on a number of matters by exception in a numbers of areas:</p> <ul style="list-style-type: none"> • If the Annual Governance Statement does not meet the disclosure requirements set out in the CIPFA/SOLACE guidance or is misleading or inconsistent with the other information of which we are aware from our audit • If we have applied any of our statutory powers or duties <p>We have nothing to report on these matters</p>
Specified procedures for Whole of Government Accounts	<p>We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions.</p> <p>Work is not required as the Council does not exceed the threshold.</p>
Certification of the closure of the audit	<p>We intend to certify the closure of the 2019/20 audit of Maidstone Borough Council in the audit report.</p>

Value for Money

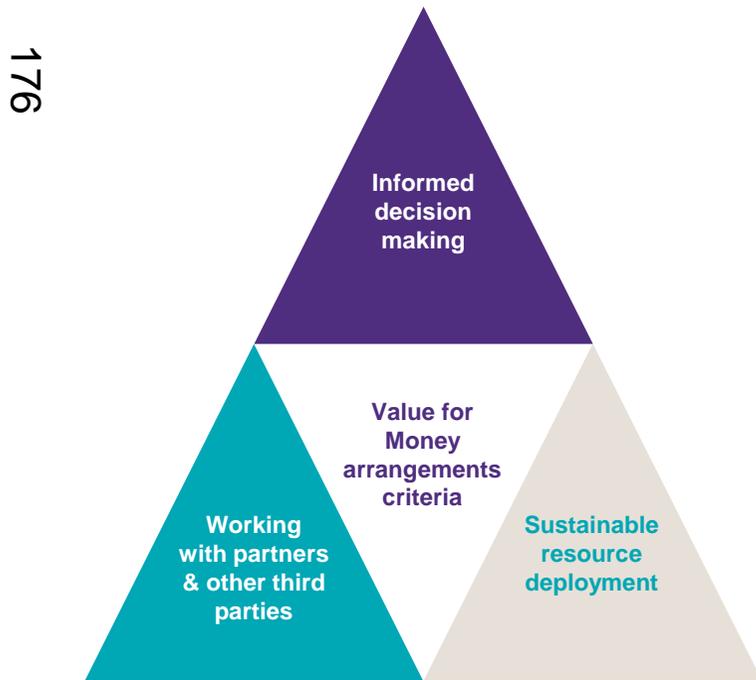
Background to our VFM approach

We are required to satisfy ourselves that the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VFM) conclusion.

We are required to carry out sufficient work to satisfy ourselves that proper arrangements are in place at the Council. In carrying out this work, we are required to follow the NAO's Auditor Guidance Note 3 (AGN 03) issued in April 2020. AGN 03 identifies one single criterion for auditors to evaluate:

"In all significant respects, the audited body takes properly informed decisions and deploys resources to achieve planned and sustainable outcomes for taxpayers and local people."

This is supported by three sub-criteria, as set out below:



Risk assessment

We carried out an initial risk assessment in January 2020 and identified one significant risk in respect of specific areas of proper arrangements using the guidance contained in AGN03. We communicated these risks to you in our Audit Plan dated 16 March 2020.

We have continued our review of relevant documents up to the date of giving our report, and have not identified any further significant risks where we need to perform further work.

Value for Money

Our work

AGN 03 requires us to disclose our views on significant qualitative aspects of the Council's arrangements for delivering economy, efficiency and effectiveness.

We have focused our work on the significant risks that we identified in the Council's arrangements. In arriving at our conclusion, our main considerations were:

- The Council's 2019/20 financial outturn;
- The robustness of the Council's 2019/20 budget and Medium Term Financial plan, including savings and income proposals; and
- The Council's response to the challenges of Covid-19.

We have set out more detail on the risks we identified, the results of the work we performed, and the conclusions we drew from this work on pages 18 to 19.

Overall conclusion

Based on the work we performed to address the significant risks, we are satisfied that the Council had proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Significant difficulties in undertaking our work

We did not identify any significant difficulties in undertaking our work on your arrangements which we wish to draw to your attention.

Significant matters discussed with management

There were no matters where no other evidence was available or matters of such significance to our conclusion or that we required written representation from management or those charged with governance.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk

Findings

Overall Financial Position and Financial Resilience

Whilst the Council has been able to set a balanced budget over the short term, currently there is a requirement for a considerable level of savings of the life of the current Medium Term Financial Plan (MTFS). The Council also plans to enter into significant levels of borrowing over the next few years.

We proposed to:

- review the assumptions behind the latest MTFS, covering the period up to March 2025;
- consider the 2019-20 budget outturn, and any implications this may have for the MTFS, along with the latest outturn against the 2020-21 budget
- review the savings proposals which have been identified to date in respect of the savings requirements, along with the plans that the Council has to identify the additional savings currently required for the life of the MTFS
- review the capital strategy and discuss with management the proposals for debt management and the ability of the Council to meet its commitments

Revenue outturn for 2019/20

Despite the continued challenging funding settlement for local authorities nationally, you have continued your good track record of delivery of service within budget and attainment of planned targets.

The Council has had a challenging year and has delivered a revenue budget overspend of £237k (2018-19: underspend of £154k). This represents good financial performance in the context of the reduction in central government funding, the need to make significant savings, and increasing pressure on services.

Budget for 2020/21 onwards

The Council presented three budget scenarios as part of their Medium Term Financial Strategy – 'adverse', 'neutral' and 'favourable'. We have analysed the detailed breakdown of the reductions in income and increased expenditure budgeted for 2020/21. We discussed the key items with management and looked at the assumptions behind there and concluded that they were realistically and prudently estimated but remain challenging.

We have reviewed the assumptions and estimates which underlie the estimates of the additional revenues and savings included in the plans. We reviewed the revenue which you plan to generate and the savings plans. We found the estimates were reasonable. The Council has a very good track record in setting budgets which are accurate and very close to the reality shown in the outturn position.

We are satisfied that management have demonstrated that sound financial planning processes and robust financial controls are in place.

Value for Money

Key findings

We set out below our key findings against the significant risks we identified through our initial risk assessment and further risks identified through our ongoing review of documents.

Significant risk	Findings
------------------	----------

Overall Position and Financial Resilience (contd.)	Financial	Fiscal indicators and reserves levels
	<p>The level of reserves in the Council's draft accounts is £62,057k comprising usable reserves of £17,193k (including £549k of capital receipts) and unusable reserves of £44,854k.</p> <p>The general fund and earmarked general fund reserves as a percentage of net service revenue expenditure is 74%. The level of usable reserves, which include the general fund, earmarked reserves and capital receipts reserve, has increased from 2018-19 by 9.8%.</p> <p>For the short to medium term, the Council's reserves level provides it with a sufficient cushion to weather the on-going financial challenges that you face over the next few years due to reductions in central government funding and forecast increases in demand for your core services. However, you only have finite reserves available and it is important that you continue to maintain appropriate budgetary controls on spending and ensure that savings plans are fully delivered.</p> <p>Impact of Covid-19</p> <p>The budget and planning discussed above was undertaken prior to the Covid-19 pandemic and the impact of lockdown measures on the frontline services of the Council which has included:</p> <ul style="list-style-type: none"> • Loss of revenue e.g. from car parking and leisure services • Reduced levels of Council tax and Business rates collection • Increased expenditure to support local business and to be able to continue to provide services in the changed circumstances. <p>The Council has received additional funding from central government. The amount received initially was £1.7m provided in two tranches. Further support was announced on 2 July 2020 and a further £274k was allocated to Maidstone Borough Council. Further detail relating to income support is also expected.</p> <p>The finance team has responded to the impact by reviewing the assumptions in the 2020/21 budget and the expected income and expenditure streams, including the impact on achieving the planned capital programme. They have provided information to government through financial returns and to members to ensure they are aware of the challenges being faced by the Council. In June, the impact on 2020-21 was assessed and the net impact was forecast to be £6,450k in increased expenditure and reductions in income after taking into account the support already provided by central government. This is within the level of reserves available to the Council. The impact on the Council's cash flow position has also been highlighted. The Council had cash balances of £10.687k in the draft accounts however there were short term borrowings due of £11,000k within 2020-21.</p> <p>The Council has continued to keep this under review and paper was produced in July the 2020-21 revenue budget forecasts were updated for the forecast Covid-19 impact. This amended the original net revenue budget from £18,935k to £24,625k. With any further mitigating actions the projected deficit is £8,563k. This is mitigated by the funding from central government already received and it is expected that, following the announcement on 2 July, further funding is expected. This enables the remainder to be covered by the unearmarked general fund reserves of £8,818k as at end of March 2020.</p>	

179

Independence and ethics

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

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

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

Details of fees charged are detailed in Appendix D.

Independence and ethics

Audit and Non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified.

	Fees £	Threats identified	Safeguards
Audit related			
Certification of Housing Benefit Claim	22,000 (2018/19 fee)	Self-Interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the fee for this work was £22,000 in 2018/19 in comparison to the total scale fee for the audit of £38,866 and in particular relative to Grant Thornton UK LLP's turnover overall. Further, it is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
181		Self review (because GT provides audit services)	To mitigate against the self review threat , the timing of certification work is done after the audit has completed, materiality of the amounts involved to our opinion and unlikelihood of material errors arising and the Council has informed management who will decide whether to amend returns for our findings and agree the accuracy of our reports on grants.

Action plan

We have identified 1 recommendation for the Council as a result of issues identified during the course of our audit. We have agreed our recommendation with management and we will report on progress on this recommendation during the course of the 2020/21 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
 Medium	<p>Declarations of interest</p> <p>During our testing of related party disclosures we requested the latest declarations for review. The Council sends these to members on an annual basis and they were sent on 9 April 2020. At the time of the audit work in July, 17 forms remained outstanding and had not been received from members.</p>	<p>We recommend that the process for managing the distribution and collections of returns is reviewed and the importance of responding is reiterated with members.</p> <p>Management response</p> <p>We accept this recommendation and will be reviewing our processes to ensure that declarations of interest are collected promptly in future</p>

182

Controls

-  High – Significant effect on control system
-  Medium – Effect on control system
-  Low – Best practice

Follow up of prior year recommendations

We identified the following issues in the audit of Maidstone Borough Council's 2018/19 financial statements, which resulted in 1 recommendation being reported in our 2018/19 Audit Findings report. We have followed up on the implementation of our recommendations below.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	During our creditor and accruals testing we identified items which had been incorrectly accrued for at the year end. We recommended that all accruals be reviewed at year end for validity and accuracy.	Our testing of this area in 2019-20 has not identified any issues.

183

Assessment

- ✓ Action completed
- X Not yet addressed

Audit adjustments

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

Impact of adjusted misstatements

Adjusted were made between the first version of the accounts presented for audit and the final version to include presentational and classification adjustments for preceptor balances and the Kent Business Rates Pool. This resulted in adjustments to the Net Assets between debtors, creditors and provisions with a net nil impact and nil impact on the Comprehensive income and Expenditure Statement.

Misclassification and disclosure changes

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

Disclosure omission	Auditor recommendations	Adjusted?
Inclusion of subsequent event in relation to the impact of Covid-19	Due to the significant impact of Covid-19 on the Council's finances post year end we recommend the inclusion of specific disclosure in the accounts in line with the type of information included in the narrative statement.	

Audit adjustments

Impact of unadjusted misstatements

Our work to date has not identified an unadjusted misstatements above triviality.

185

Impact of prior year unadjusted misstatements

The table below provides details of adjustments identified during the prior year audit which had not been made within the final set of 2018/19 financial statements.

Detail	Comprehensive Income and Expenditure Statement £'000	Statement of Financial Position £' 000	Impact on total net expenditure £'000	Reason for not adjusting
Creditors		189.		
Expenditure	(189)		(189)	
[The accruals balance was overstated as sample testing of the creditors balances identified 4 errors. All errors resulted in an over accrual in the accounts.				<ul style="list-style-type: none"> The error is immaterial
Overall impact	189	(189)	(189)	

Fees

We confirm below our final fees charged for the audit and provision of non-audit services.

Audit fees	Proposed fee	Final fee
Council Audit	46,366	TBC
Total audit fees (excluding VAT)	£46,366	£TBC

The fees reconcile to the financial statements.

186

Non-audit fees for other services	Final fee
Audit Related Services – housing Benefit Subsidy claim 2018-19	22,000
Total non- audit fees (excluding VAT)	£22,000

Audit opinion

We anticipate we will provide the Council with an unqualified audit report with an Emphasis of Matter

To follow

187

Management letter of representation

Grant Thornton UK LLP
110 Bishopsgate
London
EC2N 4AY

[Date] – (TO BE DATED SAME DATE AS DATE OF AUDIT OPINION)

Dear Sirs

Maidstone Borough Council Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Maidstone Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.
- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud..

- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 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
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
 - a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

Management letter of representation

- xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that 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. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries. As a consequence economic activity is being impacted in many sectors. As at the valuation date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence, to inform opinions of value. Indeed, the current response to COVID 19 means that they are faced with an unprecedented set of circumstances on which to base a judgement. The Council's valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation of the Council's land and buildings than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuers recommend that the Council keeps the valuation of its properties under frequent review. For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent, that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case

Information Provided

- xvi. We have provided you with:
- 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;
 - additional information that you have requested from us for the purpose of your audit; and
 - access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

- 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 information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:
- management;
 - employees who have significant roles in internal control; or
 - others where the fraud could have a material effect on the financial statements.
- xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.
- 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 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.

Narrative Report

- xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on [ENTER DATE].

Yours faithfully



© 2020 Grant Thornton UK LLP. All rights reserved.

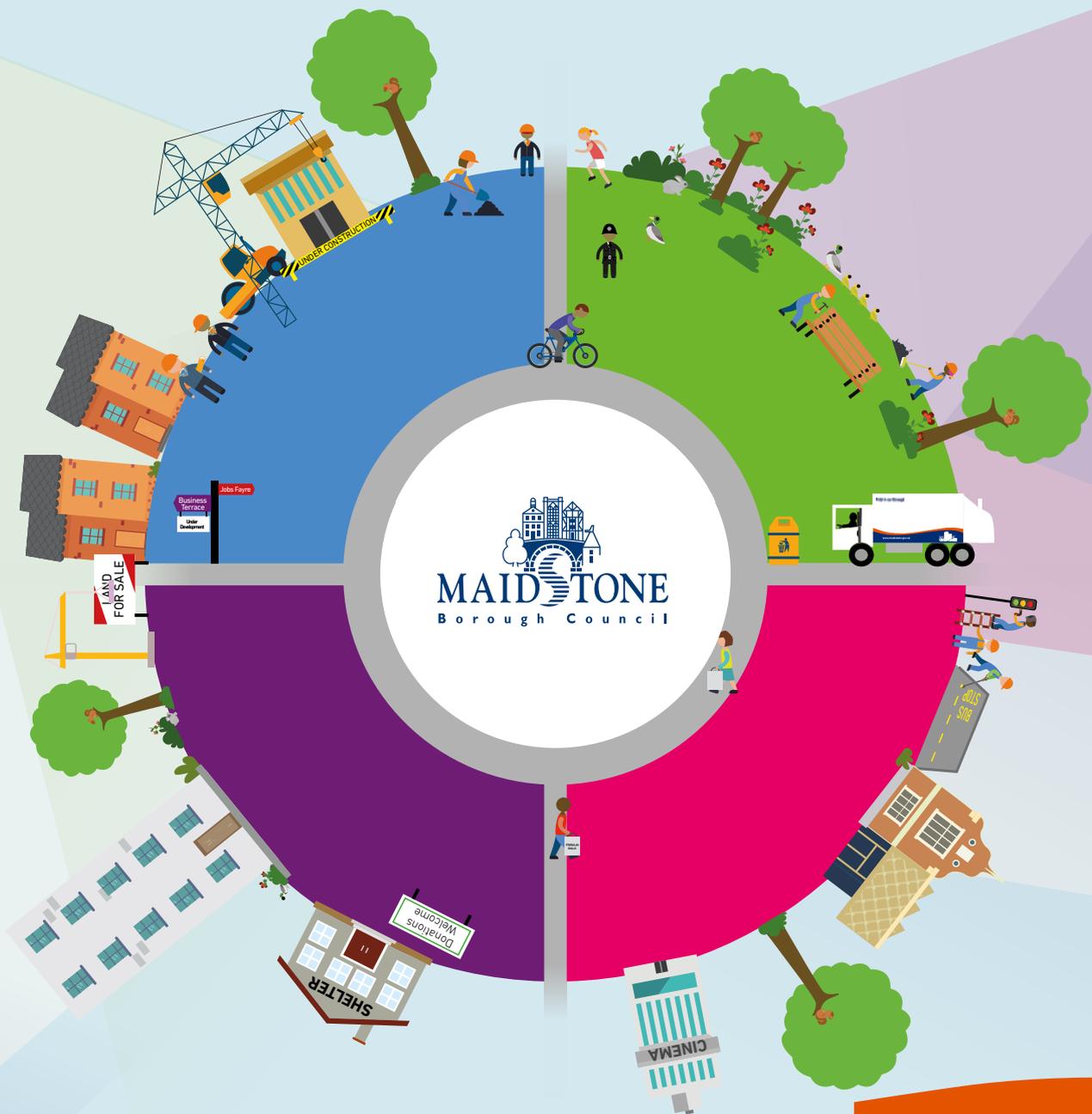
'Grant Thornton' refers to the brand under which the Grant Thornton member firms provide assurance, tax and advisory services to their clients and/or refers to one or more member firms, as the context requires.

Grant Thornton UK LLP is a member firm of Grant Thornton International Ltd (GTIL). GTIL and the member firms are not a worldwide partnership. GTIL and each member firm is a separate legal entity. Services are delivered by the member firms. GTIL does not provide services to clients. GTIL and its member firms are not agents of, and do not obligate, one another and are not liable for one another's acts or omissions.

APPENDIX 2

NARRATIVE REPORT

for the year ending
31st March 2020







Key Facts about Maidstone

POPULATION OF MAIDSTONE BOROUGH

2019	171,800
2018	170,000

GROSS VALUE ADDED IN BOROUGH

2018	£4.1 billion
2017	£4.0 billion

NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH

2018	7,990
2017	7,935

BUSINESS RATES GENERATED

2019/20	£60.3 million
2018/19	£59.9 million

WEEKLY PAY FOR A FULL-TIME WORKER

2019	£579.20
2018	£589.50

COUNCIL GROSS REVENUE

2019/20	£96.6 million
2018/19	£97.2 million

COUNCIL REVENUE GENERATED LOCALLY

2019/20	92.7%
2014/15	82.3%

COUNCIL SURPLUS/(DEFICIT) AGAINST BUDGET

2019/20	-1.2%
2018/19	+0.9%

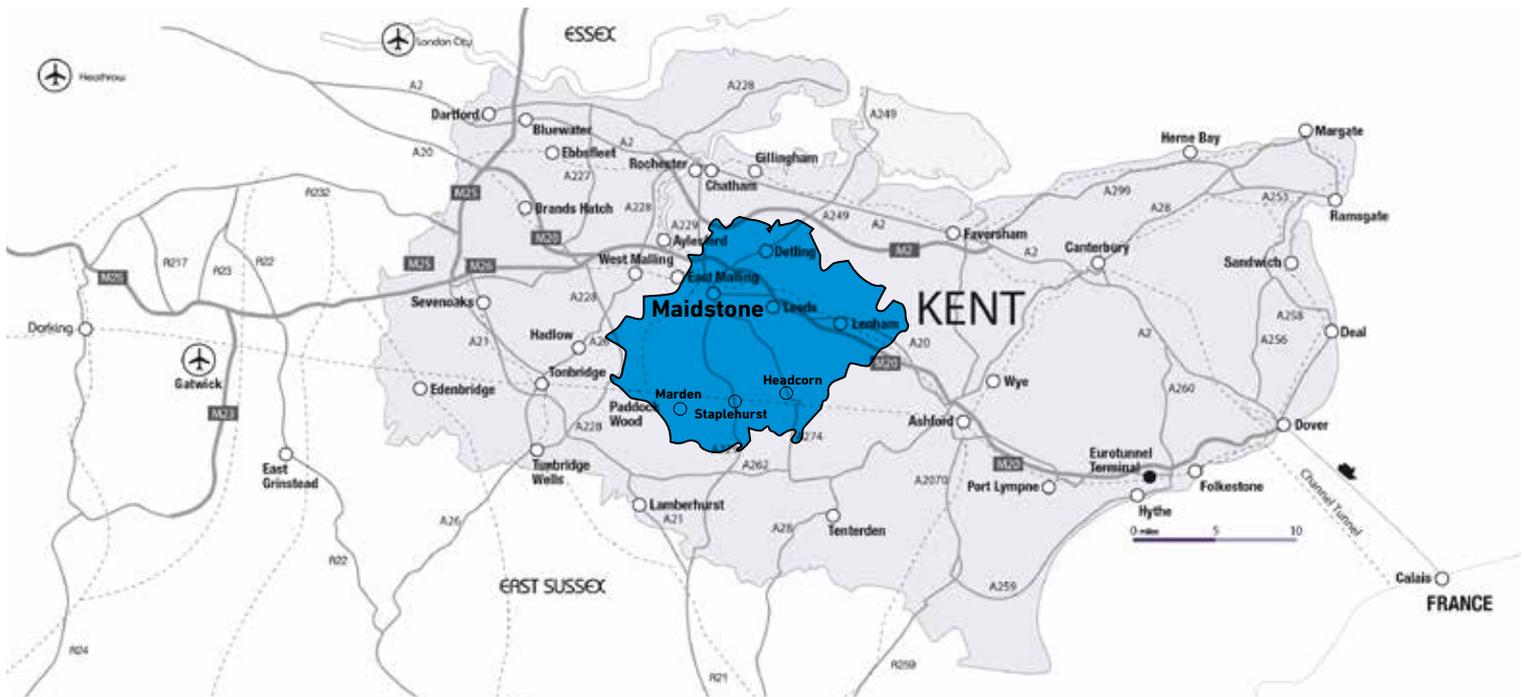
COUNCIL INVESTMENT IN LONG TERM ASSETS

2019/20	£158.9 million
2018/19	£119.1 million

COUNCIL'S USABLE RESERVES

2019/20	£17.2 million
2018/19	£15.7 million

About Maidstone



Maidstone is the largest borough council district in Kent, with an estimated 171,800 residents in mid-2019. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area there are local service centres such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham and many smaller villages.

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

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

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



About the Council

The Council is accountable to local residents through its 55 councillors, who are elected by thirds for terms of four years, such that elections are held in three years out of every four. Borough elections were due to be held in May 2020 but have been postponed for a year owing to the Covid-19 pandemic.

Conservative	24
Liberal Democrat	20
Labour	4
Independent	4
Independent Maidstone	2
Vacancy	1

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

The Council employed 540 people (503 full time equivalent) at 31 March 2020, based at the Council's administrative offices in Maidstone House, King Street, and at service locations including the Council's depot at Bircholt Road, Parkwood.

COVID-19 PANDEMIC

The Council and the community it serves have been profoundly impacted by the Covid-19 pandemic. The Council has been at the forefront of the response to the pandemic, for example in supporting rough sleepers and the homeless, establishing a community hub to support vulnerable members of society, and distributing nearly £30 million of grants to small businesses.

The impact of the pandemic on the period covered by the Statement of Accounts was limited, with lockdown measures only taking effect on 24 March 2020, right at the end of the period. However, there will be a very significant financial impact in the new financial year, both from additional costs incurred by the Council in responding to the pandemic, and from a reduction in income across almost all the Council's revenue streams, including Council Tax, Business Rates, and fees and charges for the services that we provide.

At the time of publishing the draft Statement of Accounts, the government had provided the Council with £1.7 million of non-ringfenced grants to offset additional costs and loss of income, but this is expected only partly to address the likely financial shortfall. As set out in the Statement of Accounts, the Council holds £17 million of usable reserves, which provides the Council with a reasonable level of financial resilience. However, drawing on these reserves would leave the Council with relatively greater exposure to the risk of further pandemic outbreaks and/or other unforeseen events. Furthermore, the need to rebuild reserves would constrain the Council's capacity for service delivery and to support community recovery.

Maidstone's Strategic Plan

The Council adopted a Strategic Plan in December 2018, setting out its aspirations through to 2045. The vision set out in the Plan is for Maidstone to be a vibrant, prosperous, urban and rural community at the heart of Kent, where everyone can realise their potential. Within the overall Strategic Plan, we have defined four strategic priorities: embracing growth and enabling infrastructure; making Maidstone safe, clean and green; providing homes and supporting communities; and making the borough a thriving place. Achievements in 2019/20 against these objectives and key performance indicators are set out in the following section.

We are currently considering how the Strategic Plan may need to be refreshed in the light of the Covid-19 pandemic.



Key achievements

EMBRACING GROWTH AND ENABLING INFRASTRUCTURE

- **Bus Station Improvements**

The council is leading a project to invest around £1m in improvement works to Maidstone Bus Station. The facility is situated underneath the Mall Shopping Centre in the town centre and has been earmarked for investment within the council's infrastructure delivery plan. This investment decision has been made because of the council's desire to support and promote sustainable transport. The council is working in partnership with the owner of the facility, Capital & Regional, the main bus operator, Arriva, and Kent County Council, all of whom are contributing financially too. The design proposals are now at an advanced stage, and construction is envisaged to start during 2020.

- **Kent Medical Campus Enabling Infrastructure**

The council has facilitated a package of highways improvements adjacent to the Kent Medical Campus that are being accelerated by a successful bid to the National Infrastructure Productivity Fund, with Kent County Council. Monies secured exceeded £9m, to include a £0.5m loan from the council. This will fund improvements to two nearby roundabouts and provide dualling of the road between them. Works on site will commence in 2020. The Kent Medical Campus is one of the largest employment sites in Maidstone, hence our desire to bring about early enabling infrastructure to support the growth in jobs.

- **Junction Improvements**

The council has worked closely with Kent County Council to secure Local Growth Fund (LGF) monies to part fund a programme of junction improvements to mitigate housing development in the current local plan. Whilst programmes such as this are complex to deliver, public consultation by Kent County Council commenced in early 2020 for the detailed design proposals and works on site are expected to commence in the coming months. The allocation of LGF monies demonstrates support for the proposals from the Local Enterprise Partnership.

HOMES AND COMMUNITIES

- **New housing developments**

Work is under way on two new housing developments in Maidstone town centre, at Union Street and Brunswick Street. When complete in late 2020, the developments will provide 94 new homes, comprising a mix of affordable housing, housing for market rent and housing for sale.

- **Temporary accommodation**

Despite an increase in the number of households approaching the Council as homeless, the housing service was able to continue the decrease in the number of families having to go into temporary accommodation. In addition, the Council's strategy to acquire its own temporary accommodation stock led to fewer people being placed into nightly paid accommodation, thereby providing better quality accommodation for the client and reducing the cost to the Council.

- **Helping Rough Sleepers**

Like other towns, Maidstone has seen a significant increase in the rough sleeper population in recent years. The Council has expanded its outreach service, established a centre for emergency supported accommodation, and expanded hostel support. These interventions have had a major impact on the number of rough sleepers.

- **A20 improvements**

A wide range of street scene and landscaping improvements have been carried out along the A20 approach into Maidstone from Willington Street. These have included the planting of 20,000 bulbs, shaping of the wild areas, a new Welcome to Maidstone sign, deep cleaning, white-lining and painting of lamp columns. In addition, a number of focal points have been introduced. Two large tree stumps have been transformed into beautiful sculptures to illustrate Go Green Go Wild and the Borough's farming heritage. A dinosaur sculpture and metal bicycle silhouettes are due to be added. Feedback from residents and visitors has been extremely positive, with many appreciating the colour and vibrancy the work has created.

- **Go Green Go Wild**

The Go Green Go Wild initiative has continued to develop since its launch last year, with more community groups getting involved to promote and support biodiversity. We launched a community grant scheme which has led to a number of new local initiatives being started including tree planting. The project was also recognised by DEFRA this year for the pollinator project where a number of new wildflower meadows were created. Further wildflower meadows have been sown this year with the support of local groups. The Go Green Go Wild website has also been set up to help inspire local residents to get involved and find out about local groups.

- **Mote Park dam works**

The Council has started works to the sluice gates, boat house, spillway, dam and area around Mote Park lake. The lake was formed in the 1830s when the River Len was dammed. As a result of a reservoir safety inspection, which the park is required to undertake every ten years, essential work is now required. If the dam were to fail, the risk posed could see the water swell rapidly over 40 acres of land, which would see Turkey Mill, Mote Park and surrounding areas under water. With estimated depths of 12 feet this would endanger lives and damage homes and businesses. The works will improve the capacity to control the transfer of flow across the dam and ensure that the dam does not fail during extreme flood events.

A THRIVING PLACE

- **Maidstone Innovation Centre**

Maidstone Borough Council has awarded Rydon the contract for the construction of the £9.5m Innovation Centre, which is part funded by the European Regional Development Fund. Located on the Kent Medical Campus, part of the North Kent Enterprise Zone, the Innovation Centre will bring together businesses and organisations involved in finding solutions to complex healthcare issues and scientific research and development. The four storey, 37,000ft² building – designed by Bond Bryan Architects – will provide high quality flexible office, hot desking and meeting space, conference facilities and business support for small and medium-sized enterprises working in the life science, healthcare and med-tech sectors. Work on site started in March 2020.

- **Maidstone East Station Improvement Project**

Planning permission for the refurbished and extended ticket office and new forecourt has been granted to Network Rail. The project is a partnership between Maidstone Borough Council, Kent County Council, Network Rail and Southeastern Railways. The former Victoria Pub has been demolished and ground works have commenced setting out the new forecourt which will include soft landscaping, wayfinding signage and a new public art installation inspired by the Council's coat of arms – an Iguanodon. In addition a further £641,000 of Local Growth Fund has been approved this year to encourage walking and cycling and improved disabled access.

- **Lockmeadow**

Lockmeadow is a leisure centre with an Odeon multiplex cinema, 18-lane bowling alley, a trampoline park, restaurants and a two-level David Lloyd swimming pool and gym complex. The Council already owned the freehold of the site, and in November 2019 acquired the long leasehold interest (105 years unexpired) for £19 million. The acquisition is intended to support the objective of making Maidstone a thriving place, with the Council working as an active landlord to make improvements to the appearance of the building and facilities to make it a key destination for residents and visitors.

KEY PERFORMANCE INDICATORS

Key Performance Indicators are set for each Council priority in consultation with the relevant Service Committee. Performance against targets is set out below. Please note that direction of travel indicates an improvement or decline in performance for KPIs with targets. For Data Only Pls it indicates an increase or decrease in volume.

PRIORITY: A Thriving Place

Performance Indicator	Service	2019/20 Out-turn	2019/20 Target	Status	Compared to 2018/19
Percentage of all available tickets sold at the Hazlitt	Leisure & Tourism	66.27%	50%		
Number of visits per month to Visit-Maidstone.com	Economic Development	334,556	367,535		
Footfall in the Town Centre	Economic Development	10,994,050	11,836,415		
Number of students benefiting from the museum's educational service	Economic Development	8,884	8,378		
Footfall at the museum and Visitor Information Centre	Leisure & Tourism	98,314	65,000		
Number of attendees to informal events (at the museum)	Leisure & Tourism	3,532			
Number of people attending paid for exhibitions	Leisure & Tourism	972			
Contacts to the Visitor Information Centre	Leisure & Tourism	3,059	3,315		
Number of users at the leisure centre	Leisure & Tourism	758,290	805,257		
Percentage of vacant retail units in town centre	Economic Development	Data collection suspended owing to Covid-19	11%	N/A	N/A
Business Rates income from the Town Centre	Revenues & Benefits	£21,720,949			
Total value of business ratable properties (New 2019/20)	Revenues & Benefits	£147,123,115			N/A

PRIORITY: Clean, Safe and Green

Performance Indicator	Service	Value	Target	Status	Last Year
Percentage of unauthorised encampments on Council owned land removed within 5 working days	Environmental Crime Team	100%	90%		
Percentage of fly tips resulting in enforcement action	Environmental Crime Team	87%	80%		
Percentage of fly-tips cleared or assessed within 2 working days	Environmental Crime Team	96.38%	94%		
Average weight of fly-tipped collected materials (kg)	Environmental Crime Team	92.80kg			
Percentage of household waste sent for reuse, recycling and composting	Waste & Recycling	49.12%	52%		
Percentage of household waste sent for reuse, recycling and composting	Depot Services	98.18%	98%		
The percentage of land and highways with acceptable levels of detritus	Depot Services	94.87%	95%		
Maintenance per hectare spent on Parks and Open Spaces	Parks & Open Spaces	£6,016			N/A
Number of Green Flag parks	Parks & Open Spaces	199 3	5		

Section 106 spending (against estimate)	Parks & Open Spaces	£495,335			
Percentage of people using amenity green space at least once a week	Parks & Open Spaces	Due 2020 Resident Survey			N/A

PRIORITY:

Homes & Communities

Performance Indicator	Service	Value	Target	Status	Last Year
Satisfaction with the local area as a place to live (Resident Survey)	Policy & Information	53.10%		N/A	^(2017/18)
Percentage spend and allocation of Disabled Facilities Grant Budget (YTD)	Housing & Health	130.40%	100%		
Number of households living in temporary accommodation last night of the month	Housing & Health	94			
Number of households living in nightly paid temporary accommodation last night of the month	Housing & Health	36			
Number of households housed through housing register	Housing & Health	576	600		
Number of households prevented or relieved from becoming homeless	Housing & Health	571	330		
Percentage of successful Relief Duty outcomes	Housing & Health	56.64%	60%		N/A
Percentage of successful Prevention Duty outcomes (New 2019/20)	Housing & Health	62.44%	60%		N/A
Number of completed housing assistances	Housing & Health	471			
Number of houses of multiple occupation brought to compliance by private rented sector licensing	Housing & Health	31			

PRIORITY:

Embracing Growth & Enabling Infrastructure

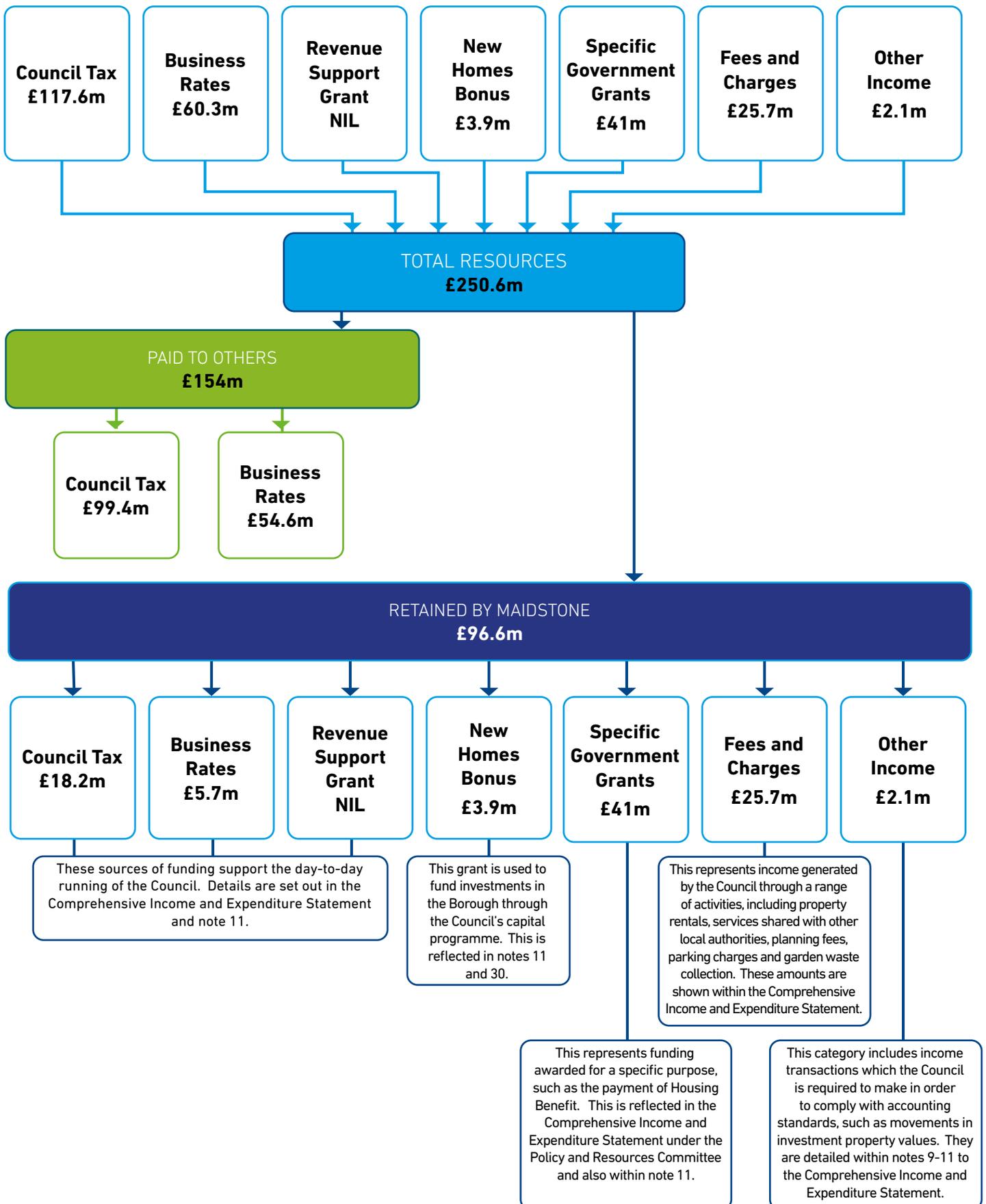
Performance Indicator	Service	Value	Target	Status	Last Year
Percentage of priority 1 enforcement cases dealt with in time (New PI 2019/20)	Development Management	100%	100%		N/A
Percentage of priority 2 enforcement cases dealt with in time (New PI 2019/20)	Development Management	95.10%	90%		N/A
Total number of complaints received within period (New PI 2019/20)	Development Management	566			N/A
Number of priority 1 enforcement cases dealt with in time	Development Management	15			N/A
Number of priority 2 enforcement cases dealt with in time	Development Management	524			N/A
Number of appeals in period	Development Management	93			
MBC success rate at planning appeals (rolling 6 months)	Development Management	66.67%	75%		
Number of affordable homes delivered (gross)	Economic Development	325	180		
Percentage of new homes provided that are affordable	Economic Development	AWAITING DATA FOR THIS KPI	20%	N/A	N/A
Net additional homes provided	Development Management	AWAITING DATA FOR THIS KPI	973	N/A	N/A



Data only indicator - reported for information but no target set *Does not include data for February & March

Financial Performance

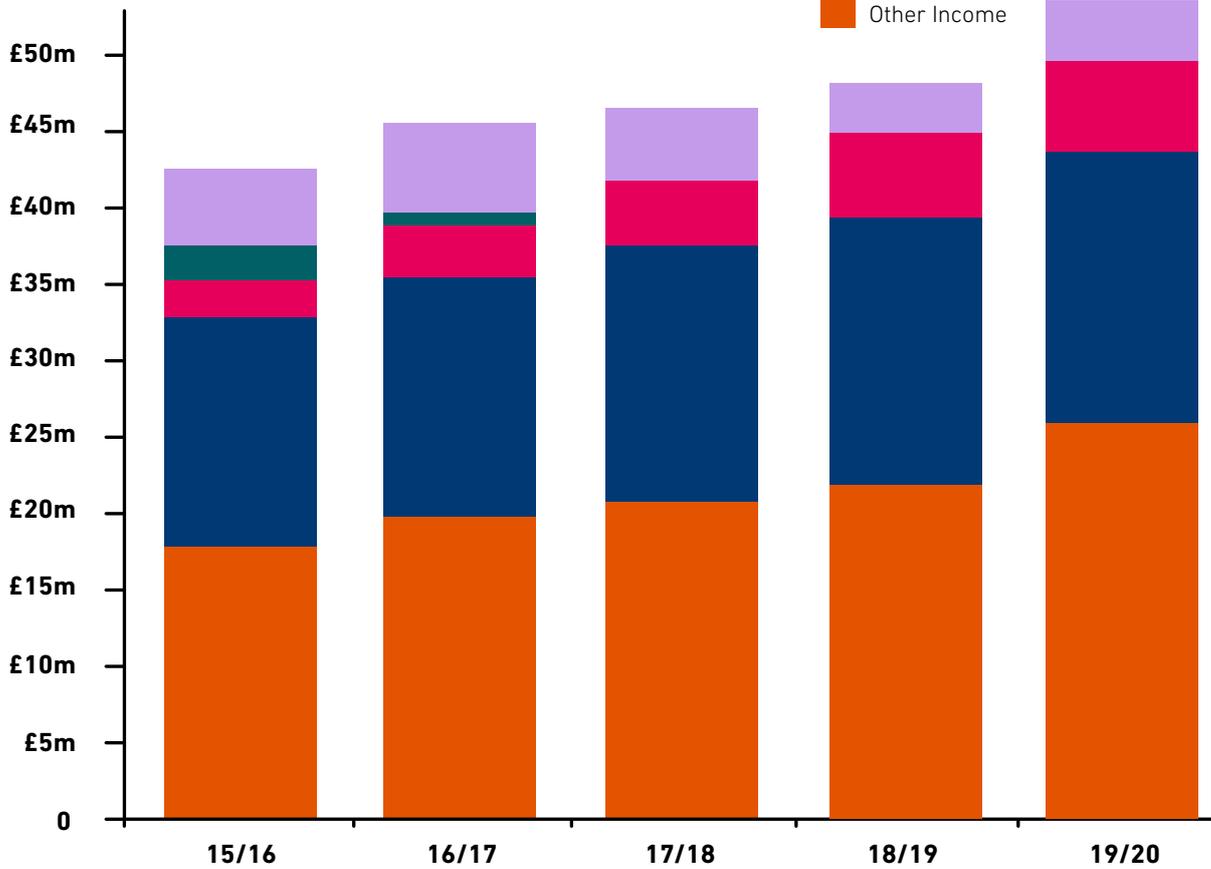
Maidstone Council's financial turnover, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £251 million in 2019/20 (£246 million in 2018/19). The table below shows the flows of income and expenditure.



Income

The Council no longer receives Revenue Support Grant from central government. It depends on income generated locally in Maidstone, comprising Council Tax, our share of Business Rates, and Fees and Charges for the services that we provide.

- Non-ringfenced Government Grants
- Revenue Support Grant
- Business Rates
- Council Tax Income
- Other Income



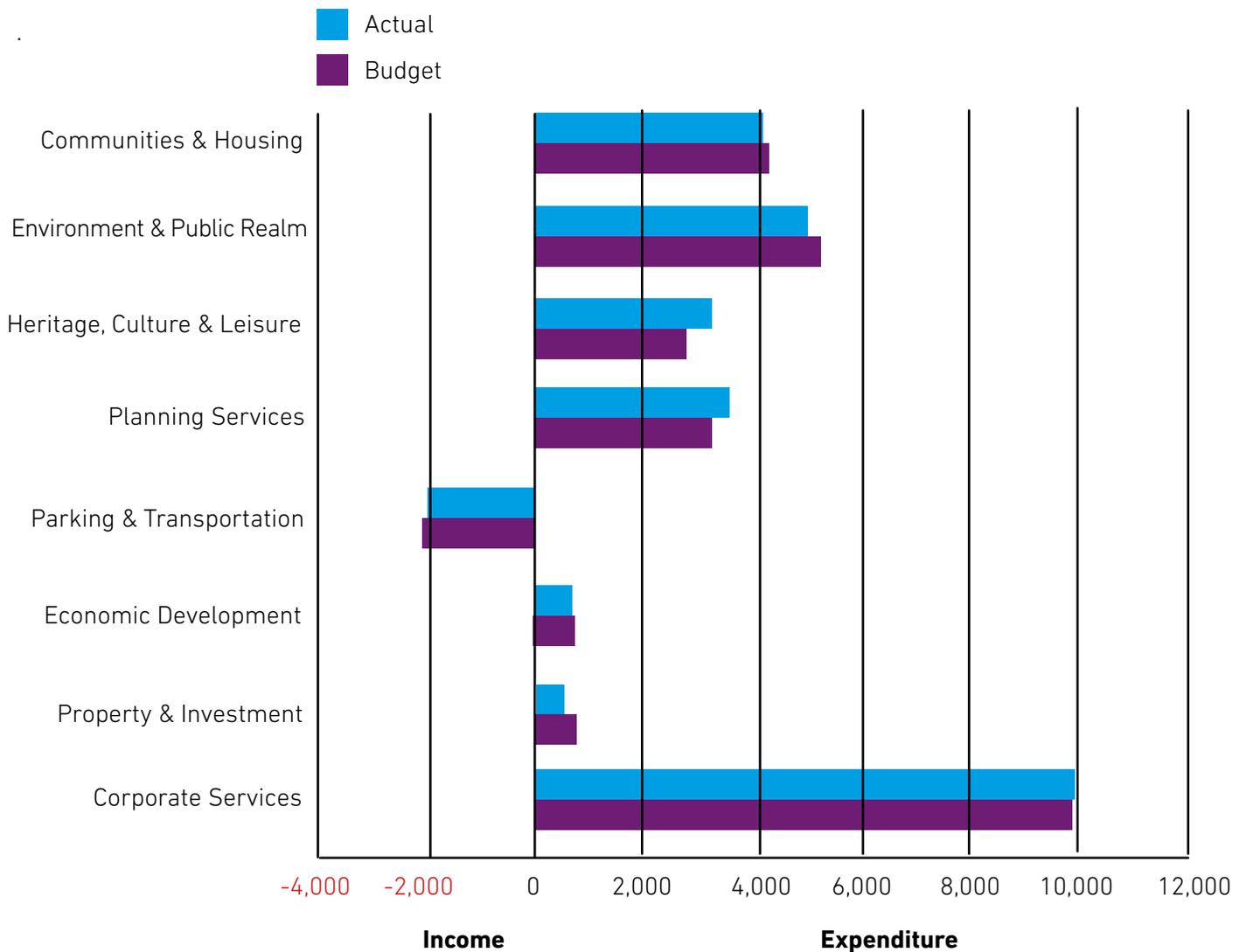
These sources of income are shown in note 11 to the Statement of Accounts, **Taxation & Non-Specific Grant Income**, and in the income totals for the relevant Committee in the **Comprehensive Income and Expenditure Statement**.



Expenditure

The Council spends money to meet its statutory obligations - delivering services like refuse collection, and making transfer payments such as housing benefit – and to meet our strategic priorities.

Delivering expenditure in line with budget is an important performance indicator. This objective was achieved in 2019/20. The outturn for the year was an overspend compared with the budget of £237,000 (1.2%).



The Council's income and expenditure is shown in the **Comprehensive Income & Expenditure Statement** in the Statement of Accounts.





Balance Sheet

The Balance Sheet shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets increased from £47.9 million to £62.0 million, mainly because of upward revaluations of the Council's property assets.

2018/19 £000		2019/20 £000
83,038	Property, Plant & Equipment	124,490
10,393	Heritage Assets	10,393
23,014	Investment Properties	23,270
2,647	Other Long Term Assets	715
32,935	Money owed to the Council	31,834
-29,150	Money owed by the Council	-50,946
-74,983	Long Term Liabilities	-77,709
47,894	Net Assets	62,047
15,659	Usable Reserves	17,193
32,235	Unusable Reserves	44,854
47,894	Total Reserves	62,047

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

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

Balance Sheet (continued)

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

Usable reserves include money set aside for specific purposes and sufficient contingency to cover unforeseen events. In particular, the Council has decided that the New Homes Bonus that it receives will be set aside for capital investment to improve and enhance the borough. £3.9 million of New Homes Bonus has been used in this way during the year (18/19 - £4.6 million).

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

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

Capital Expenditure

During the year, £34 million was spent on delivering the projects identified within the Council's capital programme.

These projects included:

- Expenditure on new housing developments at Union Street and Brunswick Street
- Purchase of properties for use as temporary accommodation for homeless people
- Acquisition of long leasehold interest in Lockmeadow Leisure Complex
- Public realm improvements in the Town Centre

The Council has an ambitious capital programme for the coming five years, totalling over £100 million. The largest element in the capital programme is the Council's housing and regeneration strategy. The programme will be funded both through New Homes Bonus receipts and other internal resources, and through external borrowing, in line with the regulatory requirement that such borrowing be affordable, prudent and sustainable.

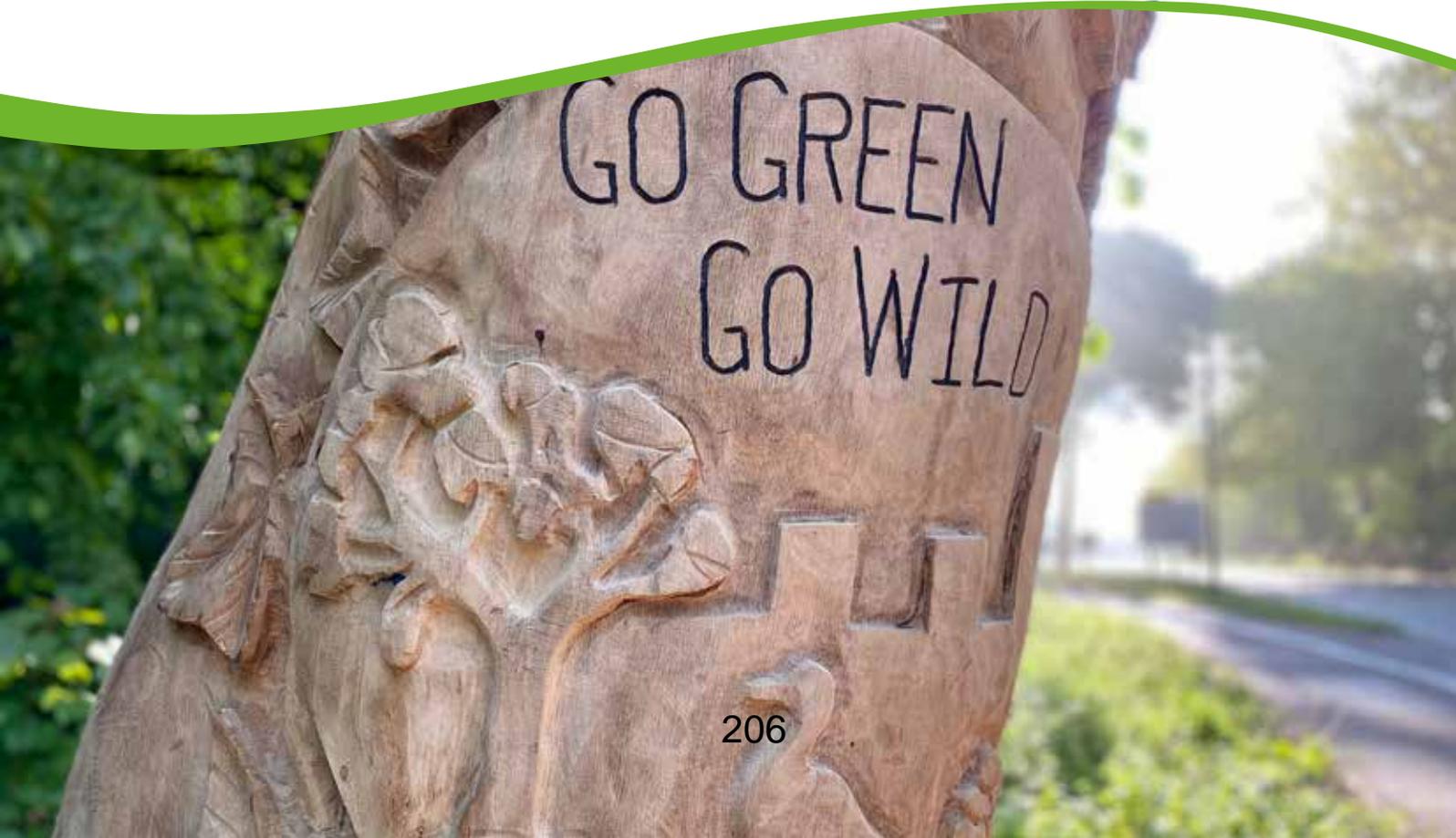
	Actual	Five year plan					Total
	19/20	20/21	21/22	22/23	23/24	24/25	
	£000	£000	£000	£000	£000	£000	£000
Housing Development and Regeneration	5,840	12,022	14,023	12,516	10,680	10,680	59,921
Temporary Accommodation	3,083	2,190					2,190
Disabled Facilities Grants	793	800	800	800	800	800	4,000
Flood Action Plan	0	300	300	300			900
Mote Park Improvements	297	3,650	840				4,490
Town Centre Regeneration	688	40					40
Property Investments	20,281	6,500	3,500	2,500	2,500	2,500	17,500
Kent Medical Campus Innovation Centre	1,535	8,250	1,500				9,750
Infrastructure delivery	0	600	600	600	600	600	3,000
Corporate Property	699	1,430	175	175	175	175	2,130
Biodiversity and Climate Change		1,000					1,000
Mail Bus Station Redevelopment	53	750					750
Section 106 Contributions	0	57	63	480	59	69	728
Other	1,113	676	495	309	270	270	2,020
	34,382	38,265	22,296	17,680	15,084	15,094	108,419

FUTURE PLANS

At the time of publishing the Statement of Accounts, the impact of the Covid-19 pandemic remains very unclear. Whilst the Council is absolutely committed to fulfilling its responsibilities for service delivery and to supporting the community's recovery from the pandemic, the way in which it will do this remains to be determined. The Council's Strategic Plan objectives are currently being reviewed to consider how they might need to be refreshed in light of the pandemic.

The Strategic Plan depends on the Council's five year Medium Term Financial Strategy, which sets out how our strategic priorities will be delivered, given the financial resources available to the Council. The Council's resources are very largely generated locally, with most of its income coming from Council Tax and other local sources, including parking, planning fees and property income. Given the high dependence on self-generated income, which risks being affected adversely by the Covid-19 pandemic, the Council is currently also reviewing the Medium Term Financial Strategy and will modify it as necessary.

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

A close-up photograph of a wooden sculpture. The sculpture is made of light-colored wood and features a carving of a tree with a thick trunk and several large, detailed leaves. Above the tree, the words "GO GREEN" and "GO WILD" are carved in a simple, blocky font. The background is a blurred outdoor setting with green foliage and a paved path.

GO GREEN
GO WILD



RISK MANAGEMENT

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

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

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





STATEMENT OF ACCOUNTS 2019/20

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

The Director of Finance & Business Improvement's Responsibilities

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

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

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

The Director of Finance & Business Improvement has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2020.

Signed:



Mark Green, Director of Finance & Business Improvement

Date: 21st July 2020

PRIMARY STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31st March 2019 & 2020

2018/19 (Restated)				2019/20		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
			Committee (See note below)			
58,391	(52,352)	6,039	Policy & Resources	53,508	(45,833)	7,675
20,064	(6,972)	13,092	Communities, Housing & Environment	21,374	(11,808)	9,566
9,646	(2,705)	6,941	Economic, Regeneration & Leisure	6,279	(2,280)	3,999
6,874	(7,075)	(201)	Strategic Planning & Infrastructure	8,112	(6,816)	1,296
94,974	(69,104)	25,870	Cost Of Services	89,273	(66,738)	22,535
		1,229	Other Operating Expenditure (Note 9)	2,052	(628)	1,425
		169	Financing and Investment Income and Expenditure (Note 10)	1,807	(2,474)	(666)
		(28,821)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)		(27,747)	(27,747)
		(1,553)	(Surplus) or Deficit on Provision of Services			(4,452)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(7,832)	(Surplus) or deficit on revaluation of property, plant & equipment assets			(7,633)
		(9,438)	Remeasurement of the Net Defined Benefit Liability			(2,068)
		(17,271)	Other Comprehensive Income and Expenditure			(9,701)
		(18,824)	Total Comprehensive Income and Expenditure			(14,154)

211

Note – Change of Committee Structure

The Council committee structure changed in 2019/20 to reflect the priorities set out in the newly adopted Strategic Plan. As part of the restructure, the Heritage, Culture and Leisure Committee was decommissioned, and the Economic Regeneration and Leisure Committee was created. A number of budget heads were also reallocated to the Communities, Housing & Environment Committee. The comparative figures for 2018/19 have therefore been restated to reflect this. The figures that appeared in the 2018/19 Statement of Accounts were as follows:

Committee	Gross Expenditure £000	2018/19 Gross Income £000	Net Expenditure £000
Policy & Resources	62,187	(52,890)	9,297
Communities, Housing & Environment	15,817	(4,786)	11,031
Heritage, Culture & Leisure	10,096	(4,353)	5,743
Strategic Planning, Sustainability & Transportation	6,874	(7,075)	(201)
Cost Of Services	94,974	(69,104)	25,870
Other Operating Expenditure (Note 9)	1,927	(698)	1,230
Financing and Investment Income and Expenditure (Note 10)	2,040	(1,871)	170
Taxation and Non-Specific Grant Income and Expenditure (Note 11)		1	(28,821)
(Surplus) or Deficit on Provision of Services			(1,553)

MOVEMENT IN RESERVES STATEMENT

For the years ending 31st March 2019 & 2020

Current Year	General Fund Balance Unallocated £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2019	9,228	5,828	598	15,657	32,237	47,894
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	4,452	0	0	4,452	9,701	14,153
Adjustments between accounting basis & funding basis under regulation (Note 6)	(2,559)	0	(49)	(2,608)	2,608	0
Movements between Reserves	(2,302)	1,992	0	(310)	310	(0)
Increase or Decrease in 2019/20	(409)	1,992	(49)	1,534	12,619	14,153
Balance at 31st March 2020	8,818	7,820	549	17,193	44,854	62,047

Comparative Year	General Fund Balance £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
Balance at 1st April 2018	9,627	2,899	523	13,049	16,018	29,067
Movement in Reserves during 2018/19						
Total Comprehensive Income and Expenditure	1,558		0	1,558	17,269	18,827
Adjustments between accounting basis & funding basis under regulation (Note 6)	2,381	(1,404)	75	1,052	(1,052)	0
Movements between Reserves	(4,333)	4,333				0
Increase or Decrease in 2018/19	(394)	2,929	75	2,610	16,217	18,827
Balance at 31st March 2019	9,228	5,828	598	15,657	32,237	47,894

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

BALANCE SHEET**As at 31st March 2019 & 2020**

31st March 2019 £000	Notes	31st March 2020 £000
83,038	Property, Plant & Equipment 17	124,490
23,014	Investment Property 18	23,270
10,393	Heritage Assets 19	10,393
564	Intangible Assets	653
2,000	Long Term Investments 20	0
83	Long Term Debtors	62
119,092	Long Term Assets	158,868
2,000	Short Term Investments 20	0
97	Inventories	166
19,654	Short Term Debtors 22	17,138
11,184	Cash & Cash Equivalents 23	10,687
32,935	Current Assets	27,991
0	Short Term Borrowing	11,000
22,347	Short Term Creditors 24	29,377
1,559	Provisions 25	1,164
521	Deferred Liability 27	517
4,723	Capital Grants Receipts in Advance 15	5,656
29,150	Current Liabilities	47,714
707	Provisions 25	1,226
259	Other Provisions	174
2,536	Deferred Liability 27	2,020
71,481	Other Long Term Liabilities 31	73,677
74,983	Long Term Liabilities	77,098
47,894	Net Assets	62,047
15,659	Usable Reserves	17,193
32,235	Unusable Reserves 29	44,854
47,894	Total Reserves	62,047

CASHFLOW STATEMENT

2018/19 £000	Notes	2019/20 £000
(1,553)	Net (surplus) or deficit on the provision of services	(4,452)
(8,612)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	(10,064)
2,179	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	6,372
(7,988)	Net cash flows from Operating activities	(8,144)
5,431	Investing Activities	26,808
1,616	Financing Activities	(18,168)
(941)	Net increase or decrease in cash & cash equivalents	496
(10,244)	Cash & cash equivalents at the beginning of the reporting period	(11,184)
(11,184)	Cash & cash equivalents at the end of the reporting period	(10,687)

NOTES TO THE ACCOUNTS

1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31st March 2019 & 2020

2018/19 (Restated)			2019/20			
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	
6,774	(735)	6,039	11,333	(3,657)	7,675	Policy & Resources
8,960	4,132	13,092	8,943	623	9,566	Communities, Housing & Environment
1,778	5,163	6,941	1,889	2,109	3,999	Economic, Regeneration & Leisure
(444)	243	(201)	(473)	1,769	1,296	Strategic Planning & Infrastructure
17,068	8,803	25,870	21,692	845	22,535	Net Cost Of Services
(16,239)	(11,184)	(27,423)	(28,700)	1,713	(26,987)	Other Income & Expenditure
829	(2,381)	(1,553)	(7,010)	2,558	(4,452)	(Surplus) or Deficit
		12,526			15,056	Opening General Fund Balance
		(977)			2,870	Less/Plus Surplus or (Deficit) on General Fund Balance in Year
		15,056			16,638	Closing General Fund Balance at 31st March

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

NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

Adjustments between Funding & Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £000	Net Change for Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Policy & Resources	1,481	1,673	(6,811)	(3,657)
Communities, Housing & Environment	(1,877)		2,501	623
Economic, Regeneration & Leisure	1,842		267	2,109
Strategic Planning & Infrastructure	105		1,664	1,769
Net Cost of Services	1,551	1,673	(2,379)	845
Other income and expenditure from the Expenditure & Funding Analysis	(1,551)	(1,673)	4,937	1,713
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	(0)	0	2,558	2,558

Adjustments between Funding & Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £000	Net Change for Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Policy & Resources	908	1,366	(3,009)	(735)
Communities, Housing & Environment	1,835		2,296	4,132
Economic Regeneration & Leisure	4,670		493	5,163
Strategic Planning & Infrastructure	(1,506)		1,749	243
Net Cost of Services	5,908	1,366	1,529	8,802
Other income and expenditure from the Expenditure & Funding Analysis	(5,908)	(1,366)	(3,910)	(11,184)
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	(0)	0	(2,381)	(2,381)

Note – Change of Committee Structure

The Council committee structure changed in 2019/20 to reflect the priorities set out in the newly adopted Strategic Plan. As part of the restructure, the Heritage, Culture and Leisure Committee was decommissioned, and the Economic Regeneration and Leisure Committee was created. A number of budget heads were also reallocated to the Communities, Housing & Environment Committee. The comparative figures for 2018/19 have therefore been restated to reflect this. The figures that appeared in the 2018/19 Statement of Accounts were as follows:

Expenditure and Funding Analysis

Committee	2018/19		Net Expenditure in the Comprehensive Income & Expenditure Statement £000
	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	
Policy & Resources	7,517	1,780	9,297
Communities, Housing & Environment	8,052	2,979	11,031
Heritage, Culture & Leisure	1,942	3,800	5,742
Strategic Planning, Sustainability & Transportation	(444)	243	(201)
Net Cost Of Services	17,067	8,802	25,870
Other Income & Expenditure	(16,239)	(11,184)	(27,423)
(Surplus) or Deficit	828	(2,382)	(1,553)

Note to the Expenditure & Funding Analysis

Adjustments between Funding & Accounting Basis 2018/19				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £000	Net Change for Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Policy & Resources	3,175	1,366	(2,761)	1,780
Communities, Housing & Environment	1,856		1,123	2,979
Heritage, Culture & Leisure	2,382		1,418	3,800
Strategic Planning, Sustainability & Transportation	(1,506)		1,749	243
Net Cost of Services	5,907	1,366	1,529	8,802
Other income and expenditure from the Expenditure & Funding Analysis	(5,908)	(1,366)	(3,910)	(11,184)
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	(2,381)	(2,382)

Note i – Adjustments for Capital Purposes

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

Note ii – Net Charge for Pensions Adjustments

- This column adjusts Policy & Resources Committee for the statutory adjustments put through in respect of IAS 19 Employee Benefits pension related income and expenditure.

Note iii – Other Differences

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

EXPENDITURE AND INCOME ANALYSED BY NATURE

	2018/19	2019/20
	£000	£000
Expenditure		
Employee Benefit Expenses	22,062	24,354
Other Services Expenses	88,771	84,723
Depreciation, Amortisation, Impairment	7,119	4,294
Interest Payments	110	135
Precepts & Levies	1,811	1,936
Gain/(Loss) on the Disposal of Assets	(1,446)	(3,253)
Total Expenditure	118,427	112,189
Income		
Fees, Charges & Other Service Income	(24,170)	(27,239)
Interest & Investment Income	(220)	(217)
Income from Council Tax & NDR	(45,552)	(43,821)
Government Grants & Contributions	(50,037)	(45,364)
Total Income	(119,980)	(116,641)
(Surplus) or Deficit on the Provision of Services	(1,553)	(4,452)

The increase in employee benefit expenses arises in part from additional pension costs following the McCloud case and subsequent ruling relating to age discrimination within pension schemes. Further detail regarding this is provided within note 31.

2 - ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2019/20 financial year and its position at the year-end of 31st March 2020. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations (England) 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2019/20, supported by International Financial Reporting Standards (IFRS).

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

- Going concern
- Primacy of legislative requirements

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

Revenue Recognition

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

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

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

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

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

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

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

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

Overheads & Support Services

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

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

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

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

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

Value Added Tax

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

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

ROUNDING

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

3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- 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.
- A comprehensive review of all property leases was undertaken at the end of 2017/18 to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.

- As a wholly owned subsidiary of the council, Maidstone Property Holdings Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.
- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor Park. The Council recharges the cost of providing these services to Cobtree Manor Park, but does not seek to generate a surplus from the arrangement.
- In the latter part of the year 2019/20 the Covid-19 pandemic had a profound impact across service areas, businesses and the wider community testing the Council's business continuity planning arrangements. It will, in all likelihood, also have a significant adverse impact on the Council's finances and, in turn, reserve balances. This is discussed in more detail in the Narrative Report.

There will be numerous issues that will impact on local authorities as a result of the Covid-19 pandemic. Specific areas within the financial statements include:

- Valuation uncertainty in respect of property, plant and equipment, investment property and heritage assets.
- Pension Fund Assets and Liabilities – The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Further information relating to the pension scheme can be found in Note 31.
- Collectability of debt – It is likely that Covid-19 containment measures will result in an adverse impact on the Council's ability to collect debt. The impairment allowances for doubtful debts have been reviewed and increased in light of this risk. Further information can be found in Note 22.

4 - ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's financial statements at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Property valuations	<p>Property valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties.</p> <p>The Council's external valuers provided valuations for the Council's entire investment portfolio and a proportion of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values were reflective of current appropriate values.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £6.5m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	<p>judgement.</p> <p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	
Depreciation	<p>Assets are depreciated over useful lives which are based on the level of repairs and maintenance that will be incurred in relation to individual assets. If current spending on repairs and maintenance were to be reduced, this could affect a change to useful lives assigned to the assets.</p>	<p>Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. Furthermore, if the useful life of assets is reduced the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.6m for every year that useful lives had to be reduced.</p>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Pensions Liability	<p>Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The ongoing impact of the Covid19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2020 are difficult to value according to preferred accounting policy.</p>	<p>A 0.1% increase in the discount rate will reduce the net pension liability by £3.4m;</p> <ul style="list-style-type: none"> • A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £3.2m; • An increase of one year in longevity will increase the net pension liability by £7.6m.
Arrears	<p>At 31st March 2020 the Council had a balance of sundry debtors for £13.9m. A review of significant balances suggested that an impairment allowance for bad debts of £4.1m was appropriate. The allowance has been increased this year given the increased risk of non-payment arising from Covid 19 lockdown measures. Uncertainty remains as to whether or not such an allowance is sufficient.</p>	<p>If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2m to be set aside as an allowance.</p>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Non-Domestic Rates Appeals	<p>The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £5.324m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £2.130m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA.</p> <p>There is uncertainty regarding the value of potential losses against the 2017 valuation list. A provision of 2.1p per pound of rateable value is reflected in the above total.</p>	<p>If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.532m would be required overall, and the council's share of the provision would increase by £0.213m.</p>
Brexit	<p>The UK stopped being a member of the European Union (EU) at 23:00 GMT on 31 January 2020. However, significant uncertainty remains concerning the UK's future relationship with the EU. Current assumptions underlying asset valuations and pensions liability assume no significant impact from Brexit.</p>	<p>Depending on the circumstances of Britain's departure from the EU, it is possible that asset values may fall and/or that assumptions underlying the assessment of pensions liabilities may alter.</p>

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

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

Accounting Standards that have been issued, but not yet adopted include:

- Amendments to IAS 28 Investments in Associates and Joint Ventures: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015–2017 Cycle
- Amendments to IAS 19 Employee Benefits: Plan Amendment, Curtailment or Settlement.

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

IFRS 16 Leases – Agreed to defer the implementation for one year. This will mean the effective date for implementation is now 1 April 2021. It is not currently possible to estimate the impact of these changes.

6 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2019/20	Usable Reserves	
	General Fund balance £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	4,264	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(910)	
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,316	
Total Adjustments to Revenue Resources	8,665	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,657)	1,963
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(520)	
Capital expenditure finance from revenue balances (transfer to the Capital Adjustment Account)	(4,636)	
Total Adjustments between Revenue and Capital Resources	(6,813)	1,963
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure		(2,012)
Application of capital grants to finance capital expenditure	(4,411)	
Total Adjustments to Capital Resources	(4,411)	(2,012)
Total Adjustments	(2,559)	(49)

2018/19 Comparative Figures	Usable Reserves	
	General Fund balance £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	3,301	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(1,101)	
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6,521	
Total Adjustments to Revenue Resources	8,717	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(698)	816
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(521)	
Capital expenditure finance from revenue balances (transfer to the Capital Adjustment Account)	(3,749)	
Total Adjustments between Revenue and Capital Resources	(4,968)	816
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure		(741)
Application of capital grants to finance capital expenditure	(1,367)	
Total Adjustments to Capital Resources	(1,367)	(741)
Total Adjustments	2,380	75

Accounting Policy – Charges to Revenue for Non-Current Assets

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

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

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

7 – EARMARKED RESERVES

Within the General Fund balance of £16.838m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2019 £000	Contributions to/from Balances £000	31st March 2020 £000
Local Plan Review	200	109	309
Neighbourhood Planning	64	11	75
Planning Appeals	300	(14)	286
Trading Accounts	31		32
Civil Parking Enforcement	419	(254)	164
Future Capital Expenditure	431		431
Future Funding Pressures	0	1,589	1,589
Homelessness Prevention & Temporary Accommodati	700	(19)	681
Business Rates Growth	3,682	205	3,887
Occupational Health & Safety	0	31	31
Lockmeadow Complex	0	335	335
Total Earmarked Reserves	5,828	1,993	7,820
Unallocated Balances	9,228	(409)	8,819
Total General Fund Reserves	15,056	1,583	16,638

Description of Earmarked Reserves:

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

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

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

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

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

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

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

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

Business Rates Growth – these are locally retained rates from the Business Rates Pool and Pilot that the Council has participated in during 2018/19, which will be used to support local initiatives.

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

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

Accounting Policy - Reserves

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

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

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

8 - MATERIAL ITEMS OF INCOME & EXPENSE

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

9 - OTHER OPERATING EXPENDITURE

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

	2018/19	2019/20
	£000	£000
Parish Council precepts	1,666	1,936
Levies	109	116
(Gains)/losses on the disposal of non-current assets	(839)	(628)
	936	1,425

10 - FINANCING AND INVESTMENT INCOME & EXPENDITURE

These are corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest and investment properties.

	2018/19	2019/20
	£000	£000
Interest payable and similar charges	105	134
Net Interest on the Net Defined Benefit Liability	1,935	1,673
Interest receivable and similar income	(221)	(217)
Income & Expenditure in relation to investment properties and changes in their fair value	(1,649)	(2,256)
	169	(666)

11 - TAXATION & NON-SPECIFIC GRANT INCOMES

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

Credited to Taxation & Non Specific Grant Income	2018/19 £000	2019/20 £000
Council tax income	17,354	18,180
Income from Retained Business Rates	26,971	21,918
Tariff Payable	(18,602)	(19,028)
Levy Payable	(120)	(110)
Non-ringfenced Government Grants	3,218	6,788
Total	28,821	27,747
Credited to Services		
Housing Benefit Subsidy	45,834	38,958
Non-Domestic Rates - Cost of Collection	206	205
Council Tax Administration	150	148
Other Grants	591	1,695
Total	46,782	41,005

In 2019/20 Income from Retained Business Rates has benefited from the Council's participation in the Kent Business Rates Pool, as explained in note 2 to the Collection Fund Statement.

Accounting Policy – Government Grants & Contributions

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

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

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

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

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

been applied, it is posted to the Capital Adjustment Account. Amounts in the Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2019/20 totalled £359,506 (£355,578 in 2018/19).

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

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

13 – OFFICERS REMUNERATION

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

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

2018/19	Salary (Including Fees)	Other Payments, Allowances & Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
	£000	£000	£000	£000	£000
Chief Executive	127	9	136	19	155
Director of Finance & Business Improvement	102	1	103	14	117
Director of Regeneration & Place	102	2	104	14	118
Director of Mid-Kent Services	90	2	92	13	105

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

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

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

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

Remuneration Banding	2018/19 No. of Employees	2019/20 No. of Employees
£50,000 - £54,999	5	8
£55,000 - £59,999	7	5
£60,000 - £64,999	4	5
£65,000 - £69,999	3	3
£70,000 - £74,999	1	2
£75,000 - £79,999	0	2
£80,000 - £84,999	3	2
£85,000 - £89,999	0	1
£90,000 - £94,999	0	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20	2018/19	2019/20
							£000	£000
£0 - £20,000	0	4	0	2	0	6	0	36
£20,001 - £40,000	1	0	0	0	0	0	0	0
£40,001 - £80,000	0	1	2	0	2	1	121	24
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	1	5	2	2	2	7	121	60

14 - EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors, Grant Thornton UK LLP.

	2018/19 £000	2019/20 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	38	46
Rebate from Public Sector Audit Appointments Ltd.	0	(5)
Fees payable for the certification of grant claims and returns during the year	20	22
Total	58	63

15 - CAPITAL GRANTS RECEIPTS IN ADVANCE

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	2018/19 £000	2019/20 £000
Balance at start of year:	4,080	4,723
Grants Received	2,010	5,439
Funding used for capital expenditure	(1,367)	(4,507)
Balance at end of year:	4,723	5,656

16 - RELATED PARTIES

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework within which the Council operates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 1 – the Expenditure & Funding Analysis.

Members and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2019/20 is shown in Note 12.

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

The Director of Regeneration and Place and Head of Housing and Community Services are both Directors of Maidstone Property Holdings Ltd, which is a wholly owned subsidiary of the Council. The Balance Sheet as at 31st March 2020, reflects £169,094 (2018/19, £75,313) which is payable from Maidstone Property Holdings to Maidstone Borough Council, relating to income and expenditure for the 2019/20 financial year.

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

	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
Movements in 2019/20								
Cost or Valuations								
At 1st April 2019	4,352	65,087	13,898	1,544	4,825	3,436	8,545	101,689
Additions	517	23,681	1,128	869	92	265	11,198	37,750
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	5,291	0	0	0	0	0	5,291
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(261)	0	0	0	0	0	(261)
Derecognition of assets	0	(61)	(857)	(662)	(458)	0	(16)	(2,054)
Other movements in cost or valuation	204	1,172	2,787	0	0	0	(3,308)	855
At 31st March 2020	5,073	94,909	16,956	1,751	4,459	3,701	16,419	143,270
Accumulated Depreciation & Impairment								
At 1st April 2019	(3,375)	(4,007)	(6,889)	(1,106)	(3,269)	0	0	(18,646)
Depreciation charge	(263)	(2,208)	(985)	(296)	(407)	0	0	(4,159)
Depreciation written out to the Revaluation Reserve	0	2,343	0	0	0	0	0	2,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition of assets	0	0	697	609	378	0	0	1,684
At 31st March 2020	(3,638)	(3,872)	(7,177)	(793)	(3,298)	0	0	(18,778)
Net Book Value								
At 31st March 2020	1,435	91,037	9,779	958	1,161	3,701	16,419	124,490
At 31st March 2019	979	61,075	7,010	439	1,556	3,433	8,545	83,038

239

Movements in 2018/19	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 2018	4,321	53,253	14,465	1,724	4,802	3,241	4,454	86,260
Additions	33	5,289	300	216	69	222	4,091	10,220
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	7,828	0	0	0	0	0	7,828
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	1,467	0	0	0	0	0	1,467
Rerecognition of Assets	0	(40)	(902)	(359)	(46)	(30)	0	(1,377)
Other movements in cost or valuation	0	(2,714)	36	(36)	0	0	0	(2,714)
At 31st March 2019	4,354	65,083	13,899	1,545	4,825	3,433	8,545	101,684
Accumulated Depreciation & Impairment								
At 1st April 2018	(3,147)	(3,298)	(6,907)	(1,174)	(2,899)	0	0	(17,425)
Depreciation charge	(228)	(3,423)	(868)	(209)	(410)	0	0	(5,138)
Depreciation written out to the Revaluation Reserve	0	2,381	0	0	0	0	0	2,381
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	333	0	0	0	0	0	333
Derecognition of Assets	0	0	886	277	40	0	0	1,203
At 31st March 2019	(3,375)	(4,007)	(6,889)	(1,106)	(3,269)	0	0	(18,646)
Net Book Value								
At 31st March 2019	979	61,075	7,010	439	1,556	3,433	8,545	83,038
At 31st March 2018	1,174	49,954	7,558	550	1,903	3,241	4,454	68,835

Additions for 2019/20 include the acquisition of a number of properties, the most significant of which are as follows:

- The Lockmeadow Entertainment Complex in Maidstone.
- A further 11 houses in Maidstone to provide temporary accommodation for homeless families.

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

Analysis of Land & Buildings Movements 2019/20	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Entertainment Complex	Halls & Pavilions	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations																
At 1st April 2019	13,739	2,182	1,855	0	3,435	9,174	197	8,561	1,059	12,303	748	1,680	4,808	4,285	1,057	65,083
Additions		101	8	19,717	34	3,051		36		93			17	26	26	23,110
Revaluation increases/(decreases) recognised in the Revaluation Reserve		(81)		1,656		385	88	(541)	3,487	70			99	709	0	5,870
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(36)	97			(377)				(1)					66	(252)
Derecognition of Assets														(60)		(60)
Other movements in cost or valuation				1,135									37			1,172
At 31st March 2020	13,739	2,166	1,960	22,508	3,469	12,232	285	8,056	4,546	12,465	748	1,680	4,961	4,960	1,150	94,924
Accumulated Depreciation & Impairment																
At 1st April 2019	12	(269)	(75)		(427)	(1,271)	(39)	(68)	(63)	(679)	(18)	(304)	(878)	118	(49)	(4,010)
Depreciation charge		(20)	(13)	(150)	(361)	(966)		(50)	(13)	(79)	(75)	(101)	(345)	(30)	(6)	(2,208)
Depreciation written out to the Revaluation Reserve		266	106			730		66	61	680			503	(117)	48	2,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																0
Other movements in cost or valuation																0
At 31st March 2020	12	(23)	17	(150)	(788)	(1,506)	(39)	(51)	(15)	(78)	(93)	(405)	(720)	(29)	(7)	(3,875)
Net Book Value																
At 31st March 2020	13,751	2,143	1,978	22,358	2,681	10,726	246	8,005	4,531	12,387	655	1,275	4,240	4,931	1,143	91,049
At 31st March 2019	13,751	1,913	1,779	0	3,009	7,903	158	8,492	996	11,623	730	1,376	3,930	4,403	1,008	61,076

Analysis of Land & Buildings Movements 2018/19	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Entertainment Complex	Halls & Pavilions	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings	
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	
Cost or Valuations																	
At 1st April 2018	7,401	1,639	1,833	0	3,424	5,173	197	8,100	1,050	12,295	643	1,680	4,808	3,960	1,050	53,253	
Additions	13	557	22		11	4,435	0	0	9	22	0	0	0	212	7	5,288	
Revaluation increases/(decreases) recognised in the Revaluation Reserve	4,769	0	0		0	0	0	2,307	0	0	319	0	0	434	0	7,829	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	1556168	0	0		0	(89)	0	0	0	0	0	0	0	0	0	1,467	
Derecognition of Assets	0	(14)	0		0	(12)	0	0	0	(14)	0	0	0	0	0	(40)	
Other movements in cost or valuation	0	0	0	0	0	(333)	0	(1,846)	0	0	(214)	0	0	(321)	0	(2,714)	
At 31st March 2019	13,739	2,182	1,855	0	3,435	9,174	197	8,561	1,059	12,303	748	1,680	4,808	4,285	1,057	65,083	
Accumulated Depreciation & Impairment																	
At 1st April 2018	12	(202)	15	0	(65)	(652)	(39)	(1,515)	(10)	(97)	(118)	(203)	(389)	(28)	(8)	(3,298)	
Depreciation charge	0	(67)	(91)		(361)	(952)	0	(398)	(53)	(583)	(113)	(101)	(489)	(176)	(41)	(3,423)	
Depreciation written out to the Revaluation Reserve	0	0	0		0	0	0	1,845	0	0	214	0	0	322	0	2,381	
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	333	0	0	0	0	0	0	0	0	0	334	
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
At 31st March 2019	12	(269)	(75)	0	(427)	(1,271)	(39)	(68)	(63)	(679)	(18)	(304)	(878)	118	(49)	(4,007)	
Net Book Value																	
At 31st March 2019	13,751	1,913	1,779	0	3,009	7,903	158	8,492	996	11,623	730	1,376	3,930	4,403	1,008	61,076	
At 31st March 2018	7,413	1,437	1,848	0	3,359	4,522	158	6,585	1,040	12,198	525	1,477	4,419	3,932	1,042	49,954	

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

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

Capital Commitments

As at 31st March 2020 the Council had the following capital commitments:

Project	£000
Union Street housing development *	1,913
Brunswick Street housing development *	2,917
Springfield Mill housing development	1,011
Kent Medical Campus - Innovation Centre *	5,401
Lockmeadow refurbishments	3,500

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

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at current value is revalued at least every 5 years. All valuations were carried out externally by Harrisons Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 30th November 2019 in accordance with the requirements of the Code of Practice and are considered to be materially accurate at the Balance Sheet date.

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

	Infrastructure Assets	Community Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	5,073	3,701	419	16,956	1,751	4,460	16,417	48,777
Valued at current value as at:								
31st March 2016			0					0
31st March 2017			1,674					1,674
31st March 2018			9,208					9,208
31st March 2019			17,628					17,628
31st March 2020			65,986					65,986
Total Cost or Valuation	5,073	3,701	94,915	16,956	1,751	4,460	16,417	143,273

Accounting Policy – Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

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

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

18 - INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

	2018/19 £000	2019/20 £000
Rental income from investment property	(1,551)	(2,315)
Direct operating expenses arising from investment property	263	940
Net gain/(loss)	(1,287)	(1,375)

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

	2018/19	2019/20
	£000	£000
Balance at start of the year	19,976	23,014
Additions	2,439	14
Transfers	0	(854)
Net gains/losses from fair value adjustments	599	1,096
Balance at end of year	23,014	23,270

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

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

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

Accounting Policy – Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The

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

Accounting Policy – Fair Value Measurement

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

Cost or Valuation	Museum Exhibits £000	War Memorials £000	Statues & Sculptures £000	Other Items £000	Total Assets £000
1st April 2019	9,090	480	515	308	10,393
Additions					0
Disposals					0
31st March 2020	9,090	480	515	308	10,393
1st April 2018	9,090	480	515	308	10,393
Additions					0
Disposals					0
31st March 2019	9,090	480	515	308	10,393

Museum Exhibits

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

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

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

War Memorials

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

Statues and Sculptures

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

Other Items

This relates to 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 Master's Tower and the Quarterdeck has been classified as a heritage asset. However due to the age and nature of the buildings it is not possible to ascertain an accurate valuation.

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

Accounting Policy – Heritage Assets

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

20 - FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term		Short-Term	
	31st March 2019 £000	31st March 2020 £000	31st March 2019 £000	31st March 2020 £000
Treasury Investments				
Financial assets at amortised cost	2,000	0	13,014	11,025
Debtors				
Financial assets at amortised cost	83	62	11,897	10,630
Loans				
Financial liabilities at amortised cost	0	0	0	11,000
Creditors				
Financial liabilities at amortised cost	0	0	10,407	13,926
Other Long Term Liabilities				
Finance Lease Liabilities at amortised cost	2,527	2,020	520	517

On the face of the Balance Sheet Financial Assets at Amortised Cost where the business model for the Council is to collect contractual cash flows. £2m of Treasury Investments are in local authorities with £9.025m invested in AAA rated Money Market Funds. The Council has no long-term treasury funds invested at the year end. Debtors includes two service loans to third parties, Kent Savers £25k and One Maidstone £36k (Business Improvement District Levy). The Council has long-term creditors, and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has taken out short term loans with other local authorities of £11m. £7m was required to fund the purchase of the Lockmeadow Leisure Complex which enables the Council to gain control of the area for possible future regeneration, the remaining £4m was for funding other areas of the Council's capital programme.

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

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

Income & Expense

	Long-term		Short-Term	
	31st March 2019 £000	31st March 2020 £000	31st March 2019 £000	31st March 2020 £000
Income:				
Financial assets at amortised cost	19	0	201	208
Other Interest	0	0	0	9
Total	19	0	201	217
Expenditure:				
Financial liabilities at amortised cost	0	0	0	24
Total	0	0	0	24

Adoption of IFRS 9

The adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting came into effect for financial year 2018/19. The effects of reclassification of financial assets following the adaptation of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting are shown in the table below: IFRS 9 requires an authority to review its financial assets for impairment due to the risk of non settlement. As stated in the previous section, the Council has two service loans which are classified as solely payments of principal and interest and the business model is to collect contractual cash flows which is classified under the definition of the code paragraph 7.1.5 and are valued at amortised cost. These require assessment to determine the credit risk since initial recognition, however materiality comes into effect as per the Code. These loans being at very low values (£36k and £25k) are below the materiality threshold for the Council, therefore no impairment is required.

Accounting Policy – Financial Instruments

Financial Liabilities:

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Interest is charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement.

Financial Assets:

The Council regularly holds the following financial instruments at amortised cost:

- Deposits with financial institutions and local authorities
- Money Market Funds; and
- Service Loans.

The Council also maintains a continuously 'rolling' portfolio of Debtors (also held at amortised cost).

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

The Council considers the potential for credit losses on financial assets held at amortised cost either on a 12-month or lifetime basis (Simplified model - Debtors only). An exception is:

- Deposits with local authorities – credit losses are not recognised for deposits held with central Government or other local authorities due to statutory provisions (the Local Government Act 2003), which prevent default.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default (triggering a credit loss) on their obligations.

With regard to Debtors, an Impairment Allowance for Bad Debts (IABD) is applied annually based on a set of assumptions on the collectability of external debts based on past experience and future expectations.

Fair Value

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

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

All valuations on Council's investments uses level 2.

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

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

	31st March 2019		Fair Value Level	31st March 2020	
	Book Value £000	Fair Value £000		Book Value £000	Fair Value £000
Financial Assets					
Long Term Investments	2,019	2,018	2	0	0
Short Term Investments (less than 1 yr)	13,050	13,050	2	11,056	11,056
Financial Liabilities					

21 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council could be exposed to risk in relation to exposure to interest rate movements in its investment and debt portfolios. This risk is managed through the Annual Treasury Management Strategy which 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. 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 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 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 a requirement of CIPFA's Treasury Management Code of Practice, which has been adopted by the Council. Treasury Management indicators have also been set to control key financial instruments risks in accordance with CIPFA's Prudential Code. The Treasury Management Practices can also be viewed on the Council's website.

Treasury Management Strategy 2019/20

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

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

Credit Risk

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

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

As at 31st March 2020 investments were held with the following institutions:

	31st March 2019 £000	31st March 2020 £000
AAA rated Institutions	0	5,025
AA+ rated Institutions	0	0
AA rated Institutions	0	0
AA- rated Institutions	0	3,000
A+ rated Institutions	0	1,000
A rated Institutions	14	0
A- rated Institutions	0	0
BBB+ rated Institutions	0	0
Unrated Local Authorities	15,000	2,000
UK Government	0	0
Total	15,014	11,025

Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes. However, provision has also been made with the current Treasury Management Strategy to have an authorised debt limit of £24m to fund on-going schemes in the event of projected capital receipts not being realised.

Refinancing and Maturity Risk

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

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

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

longer term investments to provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk – Interest Rate Risk

As the Council did not find itself needing to borrow funds during 2018/19, except in the short term for cash flow reasons, 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 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 2019 £000	31st March 2020 £000
Notice accounts/Money market funds	14	9,025
Fixed term deposits with other local authorities	15,000	2,000
Total	15,014	11,025

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together the 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 to control the Authority's exposure to interest rate risk. An upper limit is set on the one-year revenue impact of a 1% rise or fall in interest rates.

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.

22 – DEBTORS

Short Term Debtors

	2018/19 £000	2019/20 £000
Central government bodies	5,385	1,299
Other local authorities	3,303	6,903
Other entities and individuals	15,228	13,887
Total	23,915	22,090

Allowance for Bad Debts

	2018/19 £000	2019/20 £000
Excess Charges Impairment Allowance	630	817
Sundry Bad Debts Impairment Allowance	3,628	4,134
Total	4,258	4,952

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £20.981m.

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

	2018/19 £000	2019/20 £000
Council Tax payers	1,050	1,204
Business Rate payers	1,603	1,470
Capital debtors	23	560
General debtors	10,933	8,937
Payments in Advance	678	575
Other miscellaneous amounts	941	1,141
Total	15,229	13,887

23 - CASH & CASH EQUIVALENTS

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

	2018/19 £000	2019/20 £000
Cash held by the Council	12	3
Bank current accounts	157	(341)
Short-term deposits	11,014	11,025
Total	11,183	10,687

Accounting Policy – Cash & Cash Equivalents

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

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

24 – CREDITORS

Short Term

	2018/19 £000	2019/20 £000
Central government bodies	657	4,960
Other local authorities	8,812	4,820
Other entities and individuals	12,878	19,598
Total	22,347	29,377

The movement in the balances for Central Government and other local authorities is a reflection of movements in the debtor and creditor balances relating to the collection fund.

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

Other entities and individuals are broken down as follows:

	2018/19	2019/20
	£000	£000
General creditors	2,886	2,423
Capital creditors	1,583	1,379
Council tax payers	180	193
Business Rate payers	408	220
Receipts in advance	1,716	5,259
Deposits	5,937	9,839
Retentions	168	285
Total	12,878	19,598

25 - PROVISIONS

Provision for Appeals

	2018/19	2019/20
	£000	£000
Business Rates Appeals - Current	1,179	774
Business Rates Appeals - Backdated	707	1,355
Planning Appeals	380	261
Total	2,266	2,391

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

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

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

Accounting Policy – Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each year – where it becomes less probable that a transfer of economic benefits will

now be required (or a lower settlement than anticipated is made), the provision is reversed and credited back to the relevant area.

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

26 - TRUST FUNDS

The Council is required to set out details of the nature and amount of trust funds where it acts as sole trustee, the only one of which is the Cobtree Manor Estate. The object of this trust is to hold Cobtree Manor and Cobtree Manor Estate for the benefit of the inhabitants of Maidstone and other members of the general public.

The assets and liabilities of the Trust as at 31st March 2020 are summarised in the following table. The figures for 2018/19 are the audited figures, which differ from those in the 2018/19 Statement of Accounts, as the audit took place after that was published.

	2018/19 £000	2019/20 £000
Fixed Assets:		
Tangible Assets	2,830	2,824
Investment Property	1,630	1,010
Investments	863	670
	5,322	4,505
Current Assets	149	247
Current Liabilities	74	73
Creditors: Amounts falling due after more than one year	232	232
Total assets less current liabilities	5,165	4,448
Total Charitable Funds	5,165	4,448

Gross expenditure in 2019/20 totalled £365,876 (£691,614 in 2018/19). Gross income in 2019/20 totalled £463,350 (£752,564 in 2018/19).

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

27 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.

The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major

refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council are then repaying this loan over a 15 year term, by equal monthly instalments. The principal element of this loan is reflected on the Balance Sheet and will be written down annually by the amount of principal repaid. Interest paid on the loan is charged to the Comprehensive Income & Expenditure Statement.

The annual principal repayments are credited to the Comprehensive Income & Expenditure Statement, and then reversed out of the Movement in Reserves Statement to the Capital Adjustment Account to reflect the fact that this is a repayment of debt, as this arrangement is classed as borrowing under the terms of the CIPFA Prudential Code for Capital.

Payments

	2018/19 £000	2019/20 £000
Balance outstanding at start of year	3,578	3,057
Repayment of principal	(521)	(520)
Balance outstanding at end of year	3,057	2,537

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

Accounting Policy – Deferred Liability

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

Accounting Policy – Minimum Revenue Provision

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

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

28 – 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 2019 £000	31st March 2020 £000
Balance at 1st April	523	597
Capital Receipts Received	815	934
Capital Receipts Applied	(741)	(982)
Balance at 31st March	597	549

29 - UNUSABLE RESERVES

	31st March 2019 £000	31st March 2020 £000
Revaluation Reserve	36,768	44,257
Capital Adjustment Account	68,058	74,470
Deferred Capital Receipts Reserve	5	8
Pensions Reserve	(71,481)	(73,677)
Collection Fund Adjustment Account	(935)	(26)
Accumulated Absences Account	(179)	(174)
Total Unusable Reserves	32,235	44,858

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 2019 £000	31st March 2020 £000
Balance at 1st April	29,120	36,768
Upward revaluation of assets	7,832	7,634
Difference between fair value depreciation and historical cost depreciation	(184)	(144)
Balance at 31st March	36,768	44,257

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

	31st March 2019 £000	31st March 2020 £000
Balance at 1st April	66,726	68,058
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(5,138)	(4,160)
Amortisation of intangible assets	(124)	(135)
Revaluation Gains/Losses on Property, Plant & Equipment	(115)	(304)
Revenue expenditure funded from capital under statute	(3,247)	(1,799)
Write-off of non-enhancing capital expenditure	(75)	(58)
	(8,699)	(6,456)
Adjusting amounts written out of the Revaluation Reserve	1,651	(117)
Net written out amount of the cost of non-current assets consumed in the year	(7,048)	(6,573)
Capital financing applied in the year:		
Sums set aside for Debt Repayment	521	520
Use of the Capital Receipts Reserve to finance new capital expenditure	741	2,012
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,367	4,411
Capital expenditure charged against the General Fund balance	5,153	4,946
	7,728	11,888
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	599	1,096
Balance at 31st March	68,058	74,470

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.

	2018/19	2019/20
	£000	£000
Opening balance at 1 April	77,618	71,481
Remeasurements of the net defined liability	(9,438)	(2,068)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,865	9,036
Employer's pensions contributions	(3,564)	(4,772)
Closing balance at 31 March	71,481	73,677

d) Collection Fund Adjustment Account

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

	31st March 2019 £000	31st March 2020 £000
Balance at 1st April	2,037	935
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements		
- Council Tax	205	346
- Non-domestic Rates	(1,307)	(1,256)
Balance at 31st March	935	26

30 - 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.

	2018/19 £000	2019/20 £000
Opening Capital Finance Requirement	3,227	12,114
Capital Investment		
Property, Plant & Equipment	10,165	37,695
Non-enhancing capital expenditure	76	56
Investment Properties	2,443	10
Intangible Assets	217	222
Revenue Expenditure Funded from Capital Under Statute	3,247	1,799
	16,148	39,782
Sources of Finance		
Capital receipts	(741)	(2,012)
Government grants & other contributions	(1,367)	(4,721)
New Homes Bonus	(4,623)	(3,881)
Other Revenue Contributions	(530)	(755)
	(7,262)	(11,368)
Increase in Capital Financing Requirement	8,887	28,414
Closing Capital Finance Requirement	12,114	40,527

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. In this instance the funding will come from internal borrowing using existing cash balances, in accordance with the agreed Treasury Management Strategy for 2019/20.

Accounting Policy – Revenue Expenditure Funded from Capital Under Statute

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

31 - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

Transactions Relating to Post-employment Benefits

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

	2018/19 £000	2019/20 £000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	4,913	6,233
- Past service costs including curtailments	17	1,130
Financing and Investment Income & Expenditure:		
- Net interest expense	1,935	1,673
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	6,865	9,036
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)	5,508	(11,199)
- Actuarial gains and losses arising on changes in financial assumptions	(6,661)	16,436
- Actuarial gains and losses arising on changes in demographic assumptions	10,591	2,631
- Experience gains and losses on defined benefit obligation	0	(4,952)
- Other actuarial gains and losses	0	(848)
Total Post Employment Benefit Charged to the CI&ES	16,303	11,104
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	6,865	9,036
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,564)	(4,772)
	3,301	4,264

Curtailments

No employees were permitted to take unreduced early retirement that they would not otherwise have been entitled to over the past year. (2018/19, two former employees became entitled as a cost of £17,000).

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 (2018/19 £nil).

McCloud Case

An allowance has been made for the recent Court of Appeal judgement in relation to the McCloud case which related to age discrimination within pension schemes. On 27 June 2019 the Supreme Court denied the Government's request for an appeal, and on 15 July 2019 the Government released a statement to confirm that it expects to have to amend all public service schemes, including the LGPS. The estimated impact on the total liabilities at 31 March 2020 has been allowed for as a past service cost and has resulted in an increase in the service cost and defined benefit obligation as at 31 March 2020.

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:

	2018/19 £000	2019/20 £000
Present value of funded obligation	183,242	175,391
Fair value of plan assets	(113,698)	(103,305)
Contributions by scheme participants	69,544	72,086
Present value of unfunded obligation	1,937	1,591
Net liability arising from defined benefit obligation	71,481	73,677

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

	2018/19 £000	2019/20 £000
Opening fair value of Scheme assets	106,524	113,698
Interest on assets	2,703	2,716
Return on assets less interest	5,561	(11,133)
Administration expenses	(53)	(66)
Contributions by employer including unfunded	3,547	3,642
Contributions paid by scheme participants	885	939
Estimated benefits paid plus unfunded net of transfers in	(5,469)	(5,643)
Other actuarial gains/(losses)	0	(848)
Closing fair value of Scheme assets	113,698	103,305

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

	2018/19 £000	2019/20 £000
Opening balance at 1 April	184,142	185,179
Current Service cost	4,896	5,103
Interest cost	4,638	4,389
Change in financial assumptions	6,661	(16,436)
Changes in demographic assumptions	(10,591)	(2,631)
Experience loss/(gain) on defined benefit obligation	0	4,952
Past service costs, including curtailments	17	1,130
Estimated benefits paid net of transfers in	(5,314)	(5,491)
Contributions by Scheme participants	885	939
Unfunded pension payments	(155)	(152)
Closing balance at 31 March	185,179	176,982

The estimated impact of the recent McCloud judgement has been included as a past service cost. The estimated impact of the total liabilities as at 31st March 2020 is £1.130m (or 0.7% as a percentage of total liabilities).

Local Government Pension Scheme Assets

	31st March 2019		31st March 2020	
	£000	%	£000	%
Equities	77,963	68%	63,552	61%
Gilts	748	1%	803	1%
Other Bonds	10,353	9%	13,465	13%
Property	13,656	12%	14,056	14%
Cash	1,984	2%	2,704	3%
Absolute return fund	8,994	8%	8,725	8%
Total	113,698	100%	103,305	100%

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

	2018/19	2019/20
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	22.0	21.8
- Women	24.0	23.7
Longevity at 65 for future pensioners		
- Men	23.7	23.2
- Women	25.8	25.2
Financial Assumptions		
RPI increases	3.40%	2.75%
CPI increases	2.40%	1.95%
Salary increases	3.90%	3.85%
Pension increases	2.40%	2.35%
Discount Rate	2.40%	2.55%

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

Sensitivity Analysis

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

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

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	173,540	176,892	180,496
- Projected Service Cost	4,686	4,818	4,954
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	177,356	176,982	176,612
- Projected Service Cost	4,820	4,818	4,816
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	180,133	176,982	173,893
- Projected Service Cost	4,952	4,818	4,687
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
- Present Value of Total Obligation	184,567	176,982	169,736
- Projected Service Cost	4,965	4,818	4,675

Scheme History

	2015/16	2016/17	2017/18	2018/19	2019/20
	£000	£000	£000	£000	£000
Present value of defined benefit obligation in the Local Government Pension Scheme	(149,896)	(183,756)	(182,032)	(183,242)	(175,391)
Fair value of assets in the Local Government Pension Scheme	87,447	104,482	106,524	113,698	103,305
Present value of unfunded obligation	(2,192)	(2,260)	(2,110)	(1,937)	(1,591)
Surplus/(Deficit) in the scheme	(64,641)	(81,534)	(77,618)	(71,481)	(73,677)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £73.677m 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 2021 are £3.555m

Accounting Policy – Employee Benefits

Benefits Payable During Employment

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

Post-Employment Benefits

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

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

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

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

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

Discretionary Benefits

The Council also has restricted powers to make discretionary awards of retirement benefits in the event of early retirements. Any liabilities estimated to

arise as a result of an award and accounted for using the same policies as are applied to the Local Government Pension Scheme.

32 – LEASES

Finance Leases – Council as Lessee

The Council currently has a number of arrangements which it classifies as finance leases, including vehicles and the operation of the leisure centre.

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

	31st March 2019 £000	31st March 2020 £000
Not more than 1 year	642	559
Later than 1 year and not later than 5 years	2,527	2,030
Later than 5 years	0	0
	3,169	2,589

Accounting Policy - Leases

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

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

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

34 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 18th June 2020. 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 2020 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Covid-19 Pandemic

The impact of the pandemic on the period covered by the Statement of Accounts was limited, with lockdown measures only taking effect on 24 March 2020, right at the end of the period. However, there will be a very significant financial

impact in the new financial year, both from additional costs incurred by the Council in

responding to the pandemic, and from a reduction in income across almost all the Council's revenue streams, including Council Tax, Business Rates, and fees and charges for the services that we provide.

Accounting Policy – Events after the Balance Sheet Date

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

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

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

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

	2018/19 £000	2019/20 £000
Depreciation	(5,138)	(4,160)
Revaluation Gains & Losses	1,351	(565)
Amortisation of Intangible Assets	(124)	(135)
Movement in Creditors	(6,837)	(2,908)
Movement in Debtors	4,579	861
Movement in Inventories	(13)	69
Movement in Pension Liabilities	(3,301)	(4,264)
Other Non-Cash items	872	1,038
	(8,610)	(10,064)

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

	2018/19 £000	2019/20 £000
Capital Grants credited to surplus or deficit on the provision of services	1,367	5,440
Proceeds from sale of Property, Plant & Equipment	812	932
	2,180	6,372

37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2018/19 £000	2019/20 £000
Purchase of property, plant & equipment, investment property and intangible assets	11,677	38,246
Purchase of short-term and long-term investments	3,000	0
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(816)	(934)
Proceeds from short-term and long-term investments	(6,000)	(4,000)
Other payments for investing activities	48	0
Other receipts for investing activities (Grants)	(2,478)	(6,503)
Net cash flows from investing activities	5,430	26,808

38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2018/19	2019/20
	£000	£000
Cash receipts of short- and long-term borrowing	0	(11,000)
Repayments of short & long-term borrowing	521	520
Other payments for financing activities	1,095	4,181
Net cash flows from financing activities	1,616	(6,300)

COLLECTION FUND STATEMENT & NOTES

2018/19 £000		2019/20 £000
INCOME		
109,505	Income From Council Tax	117,579
61,636	Income From Business Rates (Note 2)	60,304
171,141	Total Income	177,883
EXPENDITURE		
Precepts and Demands - Council Tax		
76,387	Kent County Council	82,402
10,436	Kent Police & Crime Commissioner	12,227
17,447	Maidstone Borough Council	18,503
4,661	Kent Fire & Rescue Authority	4,933
Shares of Business Rates		
Central Government		
33,407	Kent County Council	25,411
22,649	Maidstone Borough Council	6,808
566	Kent Fire & Rescue Authority	21,843
1,508	Transitional Protection Payments - Business Rates	546
33	Disregarded Amounts - Business Rates	985
Impairment of Debts - Council Tax		
195	Write offs of uncollectable amounts	173
1,639	Additional / (Reduced) Impairment of Aged Debt	260
Impairment of Debts/Appeals - Business Rates		
427	Write offs of uncollectable amounts	1,401
708	Additional / (Reduced) Impairment of Aged Debt	823
(519)	Losses on appeal	119
(531)	Additional / (Reduced) Provision For Appeals	(746)
206	Cost of Collection Allowance - Business Rates	1,354
205		205
169,219	Total Expenditure	177,249
1,922	Surplus/(Deficit) For Year	634
(3,040)	Surplus/(Deficit) Brought Forward From Previous Years	(1,118)
2,340	Surplus/(Deficit) on Council Tax	193
(3,458)	Surplus/(Deficit) on Business Rates	(678)
(1,118)	Surplus/(Deficit) as at 31st March 2020	(484)

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement

shows the transactions of this council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Respective shares of Balance Sheet items are consolidated into the accounts of billing and precepting authorities.

Notes to the Collection Fund

Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 1st April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner, Kent Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the Council Tax base which is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 62,033.4 for 2019/20 (60,921.6 for 2018/19) (see table below.) This basic amount of Council Tax for a Band D property, £1,830.79 for 2019/20 (£1,735.24 for 2018/19), 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	5/9	0.0
Band A	2,540	6/9	1,693.5
Band B	6,283	7/9	4,887.0
Band C	15,400	8/9	13,689.1
Band D	16,186	9/9	16,186.3
Band E	8,824	11/9	10,785.1
Band F	5,202	13/9	7,513.5
Band G	3,845	15/9	6,408.1
Band H	337	18/9	674.8
Other	0		196.1
			62,033.4

Note 2 - Business (Non-domestic) Rates

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

- Standard Multiplier 50.4p / £ Rateable Value (49.3p in 2018/19)
- Small Business Multiplier 49.1p / £ Rateable Value (48.0p in 2018/19)

The rateable value at 31st March 2020 was £147.123 (£145.864m at 31st March 2019).

For 2019/20, it was calculated that the Council would receive £21.843m in business rates (£22.649m in 2018/19).

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies. A significant proportion of Maidstone's retained share (£19.028m in 2019/20, £18.602m in 2018/19) is subsequently 'top-sliced' and returned to the Government for redistribution across local government.

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

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

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

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

INDEPENDENT AUDITOR'S REPORT

To follow

Maidstone Borough Council

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

 maidstone.gov.uk

 [maidstonebc](#)

 [maidstoneboroughcouncil](#)

Grant Thornton UK LLP

110 Bishopsgate

London

EC2N 4AY

[Date] – {TO BE DATED SAME DATE AS DATE OF AUDIT OPINION}

Dear Sirs

Maidstone Borough Council

Financial Statements for the year ended 31 March 2020

This representation letter is provided in connection with the audit of the financial statements of Maidstone Borough Council for the year ended 31 March 2020 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

- i. We have fulfilled our responsibilities for the preparation of the Council's financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2019/20 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.
- ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

- iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.
- iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.
- v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. 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.
- vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.
- vii. Except as disclosed in the financial statements:
- a. there are no unrecorded liabilities, actual or contingent
 - b. none of the assets of the Council has been assigned, pledged or mortgaged
 - c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.
- viii. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.
- ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.
- x. We have considered the adjusted misstatements, and misclassification and disclosures changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.
- xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.
- xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.
- xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. We have updated our going concern assessment and cashflow forecasts in light of the Covid-19 pandemic. We continue to believe that the Council's financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that 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. The outbreak of the Novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on the 11th March 2020, has impacted global financial markets and travel restrictions have been implemented by many countries.

As a consequence economic activity is being impacted in many sectors. As at the valuation date, our independent valuers have stated that they consider that they can attach less weight to previous market evidence, to inform opinions of value. Indeed, the current response to COVID 19 means that they are faced with an unprecedented set of circumstances on which to base a judgement.

The Council's valuation is therefore reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty – and a higher degree of caution – should be attached to the valuation of the Council's land and buildings than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, the valuers recommend that the Council keeps the valuation of its properties under frequent review.

For the avoidance of doubt, the inclusion of the 'material valuation uncertainty' declaration above does not mean that the valuation cannot be relied upon. It is included in order to be clear and transparent, that – in the current extraordinary circumstances – less certainty can be attached to the valuation than would otherwise be the case

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. access to persons within the Council via remote arrangements, in compliance with the nationally specified social distancing requirements established by the government in response to the Covid-19 pandemic. from whom you determined it necessary to obtain audit evidence.

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 information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

- a. management;
- b. employees who have significant roles in internal control; or
- c. others where the fraud could have a material effect on the financial statements.

xxi. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

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 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.

Narrative Report

xxvi. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 29 July 2020.

Yours faithfully

Name.....

Position.....

Date.....

Name.....

Position.....

Date.....

Signed on behalf of the Council

Agenda Item 17

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE

29 July 2020

Budget Strategy – Risk Assessment Update

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

Executive Summary

Covid-19 has had a major impact on the Council's financial position. This report updates the budget risk assessment accordingly. It sets out how a very substantial projected deficit this year will be addressed, and how the Council intends to update the Medium Term Financial Strategy for future years in the light of the pandemic.

This report makes the following recommendations to this Committee:

That the Audit Governance and Standards Committee notes the updated risk assessment of the Budget Strategy provided at Appendix A.

Timetable

Meeting	Date
Audit, Governance and Standards Committee	29 July 2020

Budget Strategy – Risk Assessment Update

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance and Business Improvement
Cross Cutting Objectives	The cross cutting objectives are reflected in the MTFS and the budget.	Director of Finance and Business Improvement
Risk Management	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance and Business Improvement
Financial	The budget strategy and the MTFS impact upon all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Director of Finance and Business Improvement
Staffing	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
Legal	The Council has a statutory obligation to set a balanced budget and development of	Director of Finance and Business Improvement

	the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	
Privacy and Data Protection	No implications.	Director of Finance and Business Improvement
Equalities	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance and Business Improvement
Public Health	None identified.	Director of Finance and Business Improvement
Crime and Disorder	None identified.	Director of Finance and Business Improvement
Procurement	None identified.	Director of Finance and Business Improvement

2. INTRODUCTION AND BACKGROUND

- 2.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Members have requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

Delivering the revenue budget

2.2 The Council set a balanced revenue budget for 2020/21 at its meeting on 26th February 2020. The Council's past record indicated that there was a reasonable level of assurance that performance would be in line with budget, subject to normal operating risks such as:

- failure to contain expenditure within agreed budgets
- failure to deliver planned savings
- shortfall in fees and charges against budgeted income
- failure of commercial initiatives (eg property investment, income generating activities in parks)
- costs of litigation.

2.3 Since then, the position has changed completely. As a result of the Covid-19 pandemic, the Council has:

- incurred substantial additional expenditure, in particular as a result of accommodating homeless people and establishing a community hub
- suffered a reduction in Council Tax and Business Tax receipts
- lost substantial income in areas such as parking.

The result is that a deficit of £8.563 million is projected before taking account of any mitigations. Full details are set out in a report to the Policy and Resources Committee meeting of 21st July.

2.4 The deficit is only partially mitigated by government grant, so it is expected that there will be a drawing in the region of £4 million on the Council's reserves to bridge the gap. On current projections, this will bring the Council's unallocated reserves down to just over £4 million. This is still above the Council's specified minimum reserves level of £2 million but leaves little flexibility in the event, for example, of a second lockdown.

2.5 The starting point for this report, which looks at future risks to the Council's budget, is the projected outturn for 2020/21 as adjusted by drawing on reserves.

2.6 It could be argued that the increased level of risk highlighted by the Covid-19 pandemic justifies increasing the existing specified minimum level of reserves. The appropriate level of reserves is a matter of judgement, but in developing a new Medium Term Financial Strategy, consideration will be given to increasing the required minimum level of reserves to £4 million.

Delivering the capital budget

2.7 The capital programme plays a vital part in delivering the Council's corporate objectives. The Council has borrowed to fund the capital programme, for the first time, this year. The availability of funding is therefore important.

2.8 The cost of the capital programme is spread over the lifetime of investments, so it has not been as directly affected by Covid-19 related pressures. However, there are revenue consequences to the capital

programme. The cost of borrowing is factored into the revenue budget, along with a Minimum Revenue Provision which spreads the cost of loan repayment over the lifetime of an asset.

- 2.9 The capital programme for 2020/21 has been reviewed in the light of the Covid-19 pandemic. The majority of projects in the current programme are either already under way, are required for health and safety reasons, or must be carried out to meet contractual commitments. However, it is proposed that a number of projects are deferred to 2021/22, which will have the effect of reducing the in-year revenue costs of capital expenditure.

External factors

- 2.10 The Covid-19 pandemic shows how vulnerable the Council is to external factors. In common with many organisations, the Council did not previously take account of risks (eg global warming, pandemics) which can be foreseen in broad terms, but where the timing and nature of their impact is completely uncertain. It is now accepted for the purposes of corporate risk management that we cannot ignore such risks. The corporate risk register therefore now includes new risks relating to (a) major emergencies such as a new pandemic and (b) a resurgence of the current Covid-19 pandemic.
- 2.11 The other major external risk is potential adverse financial outcome from a disorderly Brexit. Whilst the UK has now left the EU, future trading arrangements with the EU are still to be agreed and there remains a risk of disruption if this has not happened by the government's deadline of 31 December 2020. This therefore remains as a moderate risk in the budget risk register.
- 2.12 Appendix A sets out the budget risks in the form of a Risk Matrix and Risk Register. Additionally, at the Committee's request, the possible monetary impact of the risks has been indicated. Note that it is very difficult to quantify the financial impact of risks in precise terms. The information is provided simply to give an indication of the order of the risks' financial magnitude. The information is also set out in the form of a bar chart.
- 2.13 Members are invited to consider further risks or to propose varying the impact or likelihood of any risks.

3. AVAILABLE OPTIONS

- 3.1 Option 1 - The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Council's service planning and/or be reflected in the developing Medium Term Financial Strategy.
- 3.2 Option 2 - The Committee notes the risk assessment set out in this report and makes no further recommendations.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Option 2 – It is recommended that the Committee notes the risk assessment.
-

5. RISK

- 5.1 Risk is addressed throughout this report so no further commentary is required here.
-

6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 6.1 Each year the council as part of the development of the MTFS and the budget carries out consultation on the priorities and spending of the council. A Residents' Survey will be completed for the 2021/22 budget and the results will be reported to Service Committees as part of the budget setting process.
-

7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 7.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.
-

8. REPORT APPENDICES

The following document is to be published with this report and forms part of the report:

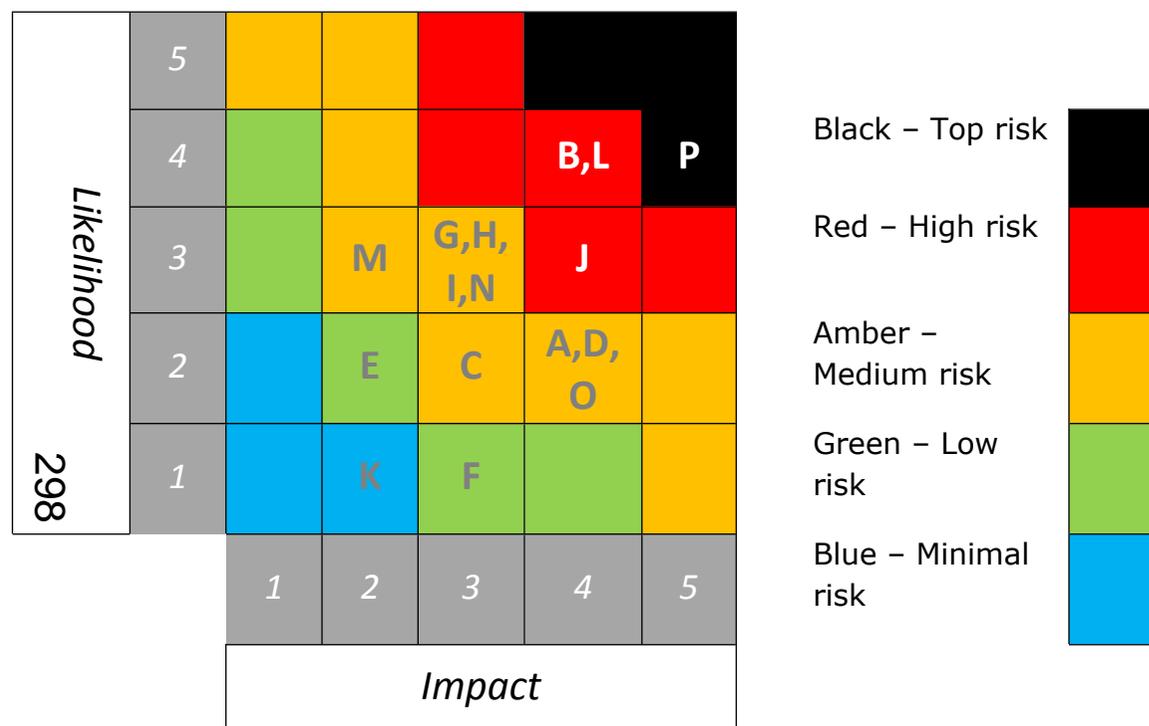
- Appendix A: Budget Strategy Risks
-

9. BACKGROUND PAPERS

None.

Budget Strategy Risks

The risk matrix below provides a summary of the key budget risks. The risk register that follows provides more detail.

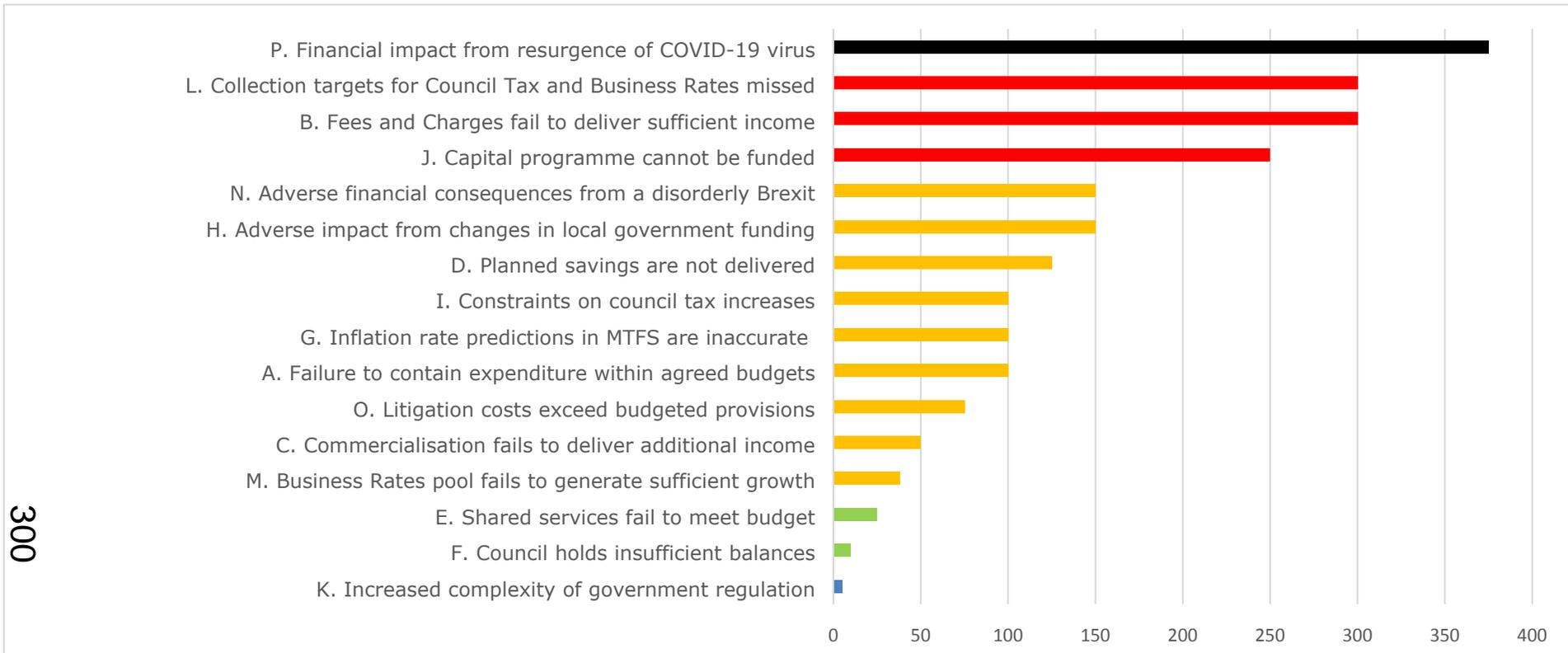


A. Failure to contain expenditure within agreed budgets	I. Constraints on council tax increases
B. Fees and Charges fail to deliver sufficient income	J. Capital programme cannot be funded
C. Commercialisation fails to deliver additional income	K. Increased complexity of government regulation
D. Planned savings are not delivered	L. Collection targets for Council Tax and Business Rates missed
E. Shared services fail to meet budget	M. Business Rates pool fails to generate sufficient growth
F. Council holds insufficient balances	N. Adverse financial consequences from a disorderly Brexit
G. Inflation rate predictions in MTFS are inaccurate	O. Litigation costs exceed budgeted provisions
H. Adverse impact from changes in local government funding	P. Financial impact from a resurgence of Covid-19

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

Risk	Ranking	Financial impact (in any one financial year)				
		Lower £000	Upper £000	Mid- point £000	Likelihood %	Weighted £000
P. Financial impact from resurgence of COVID-19 virus	1	250	750	500	75	375
B. Fees and Charges fail to deliver sufficient income	2=	200	600	400	75	300
L. Collection targets for Council Tax and Business Rates missed	2=	200	600	400	75	300
J. Capital programme cannot be funded	4	250	750	500	50	250
H. Adverse impact from changes in local government funding	5=	100	500	300	50	150
N. Adverse financial consequences from a disorderly Brexit	5=	100	500	300	50	150
D. Planned savings are not delivered	7	250	750	500	25	125
A. Failure to contain expenditure within agreed budgets	8=	200	600	400	25	100
G. Inflation rate predictions in MTFS are inaccurate	8=	100	300	200	50	100
I. Constraints on council tax increases	8=	100	300	200	50	100
O. Litigation costs exceed budgeted provisions	11	100	500	300	25	75
C. Commercialisation fails to deliver additional income	12	100	300	200	25	50
M. Business Rates pool fails to generate sufficient growth	13	50	100	75	50	38
E. Shared services fail to meet budget	14	50	150	100	25	25
F. Council holds insufficient balances	15	100	300	200	5	10
K. Increased complexity of government regulation	16	50	150	100	5	5

Chart - Budget risks



Budget Strategy Risk Register

The following risk register sets out the key risks to the budget strategy. The register sets out the consequences of each risk and the existing controls in place.

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
301	<p>A</p> <p>Failure to contain expenditure within agreed budgets The Council overspends overall against its agreed budget for the year</p>	<p>Failure to meet the budget makes it more likely that the Council will have to rely on short term expedients to balance the budget from year to year, rather than following a coherent long term strategy.</p>	<ul style="list-style-type: none"> - Embedded and well established budget setting process - Medium Term Financial Strategy - Balanced budget agreed by Council for 2020/21. - Strong controls over expenditure and established process for recovering from overspends 	4	2	8
	<p>B</p> <p>Fees & Charges fail to deliver sufficient income Fee charging services may be affected if there is a downturn in the economy, resulting in Fees and Charges failing to deliver the expected level of income.</p>	<p>The total value of all Council income from fees and charges is around £20 million. A loss of income for service budgets will require restrictions on expenditure levels and delivery of all objectives may not be met.</p>	<ul style="list-style-type: none"> - Fees and charges are reviewed each year, paying careful attention to the relevant market conditions - Where the Council is operating in a competitive market, the aim is to ensure price sensitivity does not lead to a loss of income. - Procedures are in place to ensure that fees and charges are billed promptly (or in advance) and that collection is maximised. 	4	4	16
	<p>C</p> <p>Commercialisation fails to deliver additional income The commercialisation strategy, which is now centred on housing and regeneration, does not deliver the expected level of income.</p>	<p>The medium term financial strategy includes a contribution from commercial opportunities, so any shortfall would have an impact on the overall strategy.</p>	<ul style="list-style-type: none"> - The Council set aside a provision of £0.5m against losses from activities that do not deliver. This provision is cash limited but available to cover short term losses. - Individual risks associated with specific projects within commercialisation strategy 	3	2	6

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		Income generation from commercial activities supports the revenue budget and is required in ordered to pay back capital investment.	will be assessed, both as part of the project appraisal process and during the course of delivering the projects.			
D	<p>Planned savings are not delivered</p> <p>Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget</p>	<p>The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence on managing financial viability of the organisation.</p> <p>Not achieving savings will impact the overall delivery of the Medium Term Financial Strategy and would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>- The risks associated with delivery of savings proposed in the current Medium Term Financial Strategy have been reviewed as part of the budget setting process.</p> <p>- Savings proposals are separately identified and monitored in the Council's general ledger.</p> <p>- The ability to achieve the targeted savings is monitored quarterly in budget monitoring reports to the Corporate Leadership Team and to Service Committees.</p>	4	2	8
E	<p>Shared Services</p> <p>Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.</p>	<p>Failure of a shared service to manage within the existing budget will have the same consequences as for any overspending budget, ie it would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>The arrangements governing shared services include a number of controls that minimise the risk of budget overspends and service failure, including quarterly reporting to a Shared Service Board comprising representatives of the authorities involved. The shared services are required to report regularly on financial performance and key indicators.</p>	2	2	4
F	<p>Insufficient Balances</p> <p>Minimum balance is insufficient to cover unexpected events</p> <p>OR</p> <p>Minimum balances exceed the real need and resources are held without identified purpose with low investment returns</p>	<p>Additional resources would be needed which would result in immediate budget reductions or use of earmarked reserves.</p> <p>The Council would not gain best value from its resources as Investment returns are low in the current market.</p>	<p>- The Council has set a lower limit below which General Fund balances cannot fall of £2 million.</p> <p>- At the beginning of the 2019/20 financial year usable reserves stood at £15.1 million.</p>	3	1	3

302

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
G	<p>Inflation rate predications in MTFS are inaccurate Actual levels are significantly above or below prediction</p>	<p>Unexpected rises will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p> <p>Services have supported the budget strategy through savings. Levels below those expected would result in an increase in balances or unused resources that could be used to achieve strategic priorities.</p>	<p>- Allowances for inflation are developed from three key threads:</p> <ul style="list-style-type: none"> ○ The advice and knowledge of professional employees ○ The data available from national projections ○ An assessment of past experience both locally and nationally <p>- MTFS inflation projections are based on the government's 2% inflation target.</p>	3	3	9
303 H	<p>Adverse impact from changes in local government funding The financial implications of the new local government funding regime to be introduced in 2021/22 remain unclear.</p>	<p>The Council no longer receives Revenue Support Grant (RSG), but the amount of Business Rates that it retains depends on the funding regime set by central government.</p>	<p>- The Medium Term Financial Strategy to 2024/25 includes an adverse scenario which allows for a significant impact on the Council's resources,</p> <p>- The Council has developed other sources of income to ensure it can maximise its resources while dealing with the consequences of government strategy.</p>	3	3	9
I	<p>Constraints on council tax increases The limit on Council Tax increases means that the Council must manage expenditure pressures even if these potentially give rise to cost increases greater than the referendum limit.</p>	<p>The limit on Council Tax increases means that additional pressures, such as those arising from providing temporary accommodation, have to be absorbed by making savings elsewhere.</p>	<p>- The budget for 2020/21 incorporates a Council Tax increase of 2%.</p> <p>- Budget planning is based around the assumption of ongoing 2% increases in subsequent years.</p>	3	3	9
J	<p>Capital Programme cannot be funded Reduction or total loss of funding sources means that the capital programme cannot be delivered</p>	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> ○ Internal borrowing ○ PWLB borrowing ○ New Homes Bonus 	<p>- Council has been able to fund the capital programme without recourse to borrowing so far,</p>	4	3	12

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		<ul style="list-style-type: none"> ○ Capital Grants ○ Developer contributions (\$106) <p>A reduction in this funding will mean that future schemes cannot be delivered.</p>	<p>- Council has confirmed in the past that borrowing is acceptable if it meets the prudential criteria.</p> <p>- Local authorities continue to be able to access borrowing at relatively low cost through the Public Works Loan Board but there is a risk that this may be subject to restrictions in future.</p>			
304 ^K	<p>Increased complexity of government regulation</p> <p>Complexity of financial and other regulations along with increasing delays in providing guidance reduce the ability of the Council to identify risks at an early stage.</p>	<p>On a number of occasions, most recently with the introduction of GDPR, the financial consequences of government regulation have been significant. Failure to provide adequate warning would leave the council little time to prepare through the medium term financial strategy.</p> <p>In general these events bring consequences to other agencies and external relationships.</p>	<p>- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents.</p> <p>- Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.</p>	2	1	2
L	<p>Business Rates & Council Tax collection</p> <p>Council fails to maintain collection targets for business rates and council tax</p>	<p>Failure to achieve collection targets will reduce the level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected.</p> <p>Business rates amount to around £60 million in 2020/21 and Council Tax due amounts to around £110 million.</p>	<p>- The Council has a good track record of business rates and Council Tax collection.</p> <p>- Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc.</p> <p>- Nonetheless, increasingly difficult trading conditions for some businesses may lead to a deterioration in collection performance.</p>	4	4	16
M	<p>Business Rates pool</p>	<p>Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.</p>	<p>- The pool is monitored quarterly Kent wide and Maidstone is the administering authority. The projected benefit of the pool across Kent as a</p>	2	3	6

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	Changes to rateable value (RV) or instability of business rates growth within the pool may not generate projected levels of income		<p>whole is projected to be around £10m in 2020/21.</p> <p>- Provisions have been made when projecting business rates income for bad debts and losses on appeal so any loss of income would relate to the excess over the provisions already made.</p>			
N	Adverse financial consequences from a disorderly Brexit. There remains a risk that the UK could leave the EU without a trade agreement in December 2020.	<p>Short term - Increased costs in delivering services, eg arising from traffic congestion</p> <p>Medium term/ long term – Risk of recession, which could lead to a fall in business rates income, increasing pressure on homelessness budgets, and adverse central government funding settlements.</p>	<ul style="list-style-type: none"> - Thorough preparation for Brexit, with an officer Brexit business continuity planning group to co-ordinate our response and liaise with other Kent authorities 	3	3	9
305 O	Litigation costs exceed budgeted provisions. The Council is often engaged in litigation and generally the costs of any award against the Council and associated costs of legal advice can be met from within budgets. However, it is prudent to acknowledge the risk that provisions may not in fact be sufficient to cover all likely costs.	Costs in excess of budget would require a drawing on reserves and the identification of savings in subsequent years in order to replenish the level of reserves.	<ul style="list-style-type: none"> - Corporate Leadership Team is updated regularly on outstanding legal cases. - Appropriate professional advice is taken at all times. 	4	2	8
P	Financial impact from a resurgence of COVID-19 A resurgence of the pandemic would see similar impact to those experienced in the first wave, eg reduction in fees and charges income arising from lower levels of economic activity and the effect of a broad reduction in economic growth on public finances.	In the short term the Council would need to draw on reserves to cover the financial costs, but in the longer term savings would be required to replenish reserves.	<ul style="list-style-type: none"> - Senior officer group mobilised to address short term impacts - Mitigations to be developed over longer term 	5	4	20

Impact & Likelihood Scales

RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick	punishable by imprisonment or significant fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (4)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history