



**Statement of Accounts for the year ending  
31<sup>st</sup> March 2015**

**(Draft – subject to external audit)**

## CONTENTS

	Page
Explanatory Foreword	3
Explanation of the Purpose of the Primary Statements	9
Statement of Responsibilities for the Statement of Accounts	11
<b>Primary Statements:</b>	
- Movement in Reserves	12
- Comprehensive Income & Expenditure Statement	13
- Balance Sheet	14
- Cash Flow Statement	15
<b>Notes to the Accounts:</b>	
Accounting Policies	16
Critical Judgements in Applying Accounting Policies	29
Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty	31
Accounting Standards that have been issued but have not yet been adopted	32
Adjustments between Accounting Basis & Funding Basis Under Regulation	33
Material Items of Income & Expense	35
Other Operating Expenditure	35
Financing and Investment Income & Expenditure	35
Taxation & Non-Specific Grant Incomes	36
Amounts Reported for Resource Allocation Decisions	36
Trading Operations	36
Members' Allowances	39
Officers Remuneration	40
External Audit Costs	41
Grant Income	42
Related Parties	43
Property, Plant & Equipment	44
Investment Properties	48
Heritage Assets	49
Financial Instruments	51
Nature & Extent of Risks Arising from Financial Instruments	52
Debtors	55
Cash & Cash Equivalents	55
Creditors	56
Provisions	56
Trust Funds	57
Private Finance Initiatives & Similar Contracts	58
Capital Receipts Reserve	59
Earmarked Reserves	59
Unusable Reserves	60
Capital Expenditure & Capital Funding	64

*Maidstone Borough Council – Statement of Accounts 2014/15*

Defined Benefit Pension Schemes	64
Leases	71
Impairment Losses	71
Contingent Liabilities	71
Events After the Reporting Period	71
Cashflow Statement Notes	72
Collection Fund and Notes	74
Annual Governance Statement (Draft)	77
Glossary of Terms	78
Audit Opinion (to follow)	-

## **EXPLANATORY FOREWORD**

### **Review of 2014/15 Financial Year**

#### **Statement of Accounts**

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

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

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

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

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

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

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

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

<b>2013/14</b>		<b>2014/15</b>
<b>£000</b>		<b>£000</b>
59,815	Property, Plant & Equipment	56,376
10,363	Heritage Assets	10,384
12,727	Investment Properties	15,962
581	Other Long Term Assets	5,456
30,056	Money owed to the Council	28,228
(14,393)	Money owed by the Council	(17,050)
(58,327)	Long Term Liabilities	(72,038)
<b>40,822</b>	<b>Net Assets</b>	<b>27,318</b>
16,392	Usable Reserves	15,546
24,430	Unusable Reserves	11,772
<b>40,822</b>	<b>Total Reserves</b>	<b>27,318</b>

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

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

### **Comprehensive Income & Expenditure Statement**

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

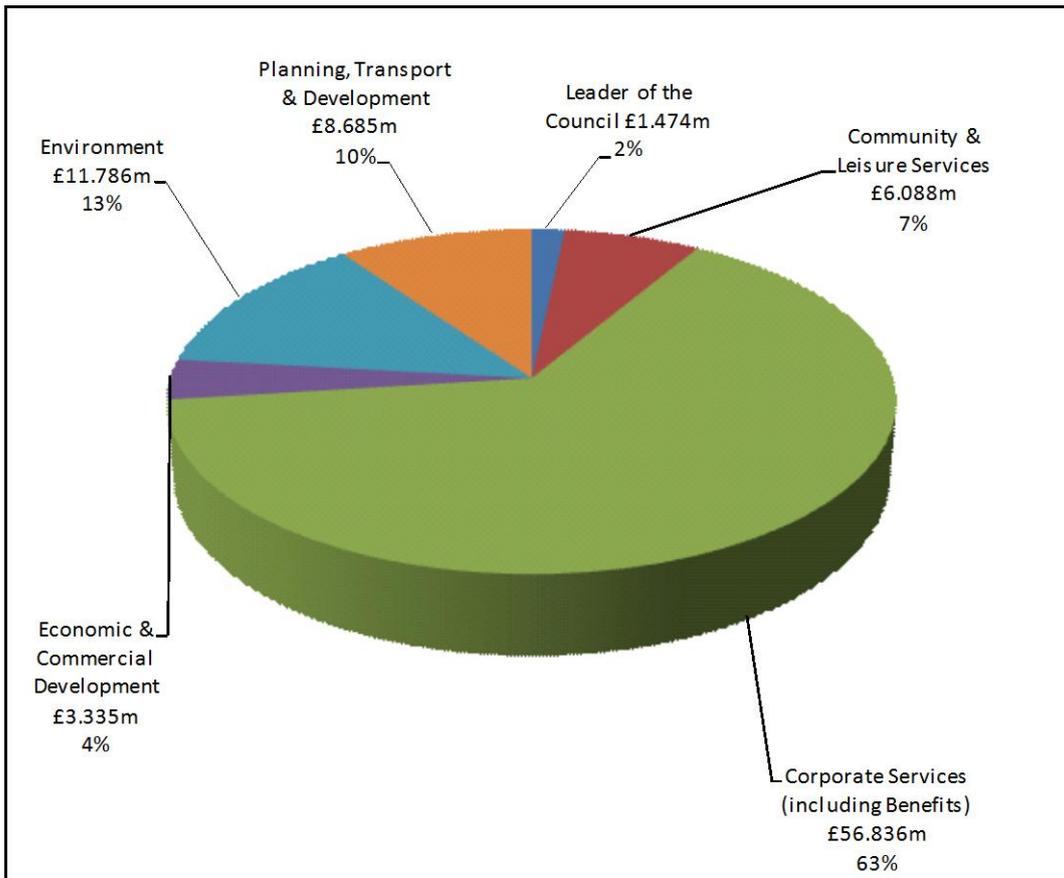
<b>Portfolio</b>	<b>Original Estimate £000</b>	<b>Revised Estimate £000</b>	<b>Actual £000</b>	<b>Variance to Revised £000</b>
Leader of the Council	1,107	1,535	1,067	(468)
Community & Leisure Services	2,224	4,971	4,938	(33)
Corporate Services	9,349	583	873	290
Economic & Commercial Development	1,396	2,594	2,674	80
Environment	5,531	8,097	8,466	369
Planning, Transport & Development	(389)	3,232	2,836	(396)
Contribution to/(from) Balances	(100)	(1,895)	(1,401)	494
<b>Net Service Spending</b>	<b>19,117</b>	<b>19,117</b>	<b>19,453</b>	<b>336</b>
Parish Precepts	1,288	1,288	1,288	0
<b>Net Expenditure</b>	<b>20,405</b>	<b>20,405</b>	<b>20,741</b>	<b>336</b>
<b>Funded by:</b>				
Council Tax	14,155	14,155	14,155	0
Revenue Support Grant	3,275	3,275	3,275	0
Retained Business Rates	2,903	2,903	2,903	0
Collection Fund Surplus	71	71	71	0
<b>Total Funding</b>	<b>20,405</b>	<b>20,405</b>	<b>20,405</b>	<b>0</b>

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

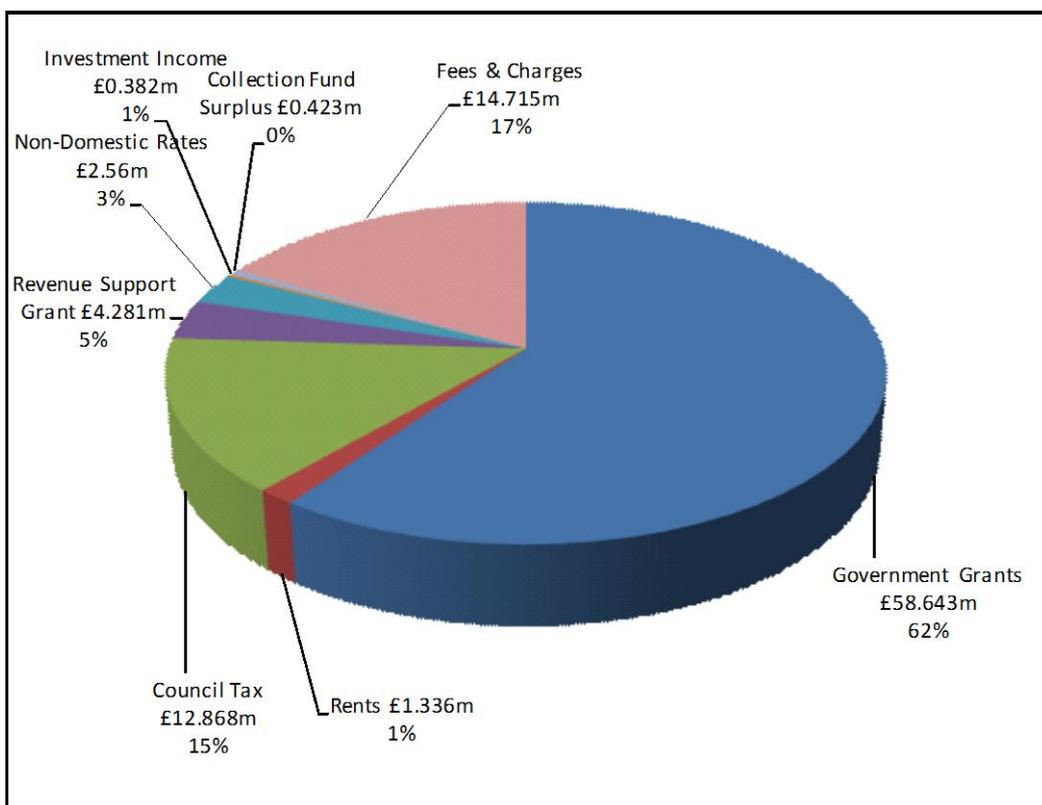
**Expenditure & Income** - The pie charts shown on the following page illustrate in broad terms where the Council's money comes from and the services that it provides.

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

**Spending – Where it Went**



**Income – Where it Came From**



## Capital Expenditure & Income

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

A summary of capital expenditure is shown below:

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

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

Capital expenditure was funded as follows:

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

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

## Borrowing & Investments

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

Investment income, which historically has been quite high, has now fallen to lower levels, with interest of £0.209m being generated in 2014/15. (The figure for 2013/14 was £0.231m). This is a reflection of the current low level of interest rates, along with the lower level of resources available for investment. The level of capital receipts has continued to fall as they are used to fund the capital programme, and the Council currently has no significant surplus assets for disposal.

## Collection Fund

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

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

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

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

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

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

## Pensions

Note 34 to the Balance Sheet refers to the Disclosure of Net Pension Assets and Liabilities. Under the requirements of IAS 19 (International Accounting Standard) on Retirement Benefits these figures are reflected in the Council's Balance Sheet and Comprehensive Income & Expenditure Statement. The latest actuarial valuation carried out on behalf of the Kent County Council Pension Fund shows a significant movement in the liability related to the pension scheme,

from £56.476m in 2013/14 to £70.903m in 2014/15.

### **Other Comments**

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

### **Future Developments**

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

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

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

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

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

### **Authorised for Publication**

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

## **EXPLANATION OF THE PURPOSE OF THE PRIMARY STATEMENTS**

### **Movement in Reserves Statement**

This shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit)

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

### **Comprehensive Income & Expenditure Statement**

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

### **Balance Sheet**

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

### **Cash Flow Statement**

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

## STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

### The Council's Responsibilities

The Council is required to:

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

### The Director of Regeneration & Communities' Responsibilities

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

In preparing this Statement of Accounts, the Director of Regeneration & Communities has:

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

The Director of Regeneration & Communities has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31<sup>st</sup> March 2015.

**Signed:**



Zena Cooke, Director of Regeneration & Communities

**Date:** 30<sup>th</sup> June 2015

## PRIMARY STATEMENTS

### MOVEMENT IN RESERVES STATEMENT For the years ended 31<sup>st</sup> March 2014 & 2015

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31st March 2014</b>	8,565	6,876	187	764	16,392	24,430	40,822
<b>Movement in Reserves during 2014/15</b>							
Surplus or Deficit on the Provision of Services Other Comprehensive Income and Expenditure	(1,773)				(1,773)		(1,773)
				0	0	(11,731)	(11,731)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,773)</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(1,773)</b>	<b>(11,731)</b>	<b>(13,504)</b>
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	1,625	0	(33)	(665)	927	(927)	0
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>1,625</b>	<b>0</b>	<b>(33)</b>	<b>(665)</b>	<b>927</b>	<b>(927)</b>	<b>0</b>
Transfers to/from Earmarked Reserves	(1,402)	1,402	0	0	0	0	0
<b>Increase or Decrease in Year</b>	<b>(1,550)</b>	<b>1,402</b>	<b>(33)</b>	<b>(665)</b>	<b>(846)</b>	<b>(12,658)</b>	<b>(13,504)</b>
<b>Balance at 31st March 2015</b>	<b>7,015</b>	<b>8,278</b>	<b>154</b>	<b>99</b>	<b>15,546</b>	<b>11,772</b>	<b>27,318</b>

Restated	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31st March 2013</b>	7,472	5,111	1,043	649	14,275	33,382	47,657
<b>Movement in Reserves during 2013/14</b>							
Surplus or Deficit on the Provision of Services Other Comprehensive Income and Expenditure	(1,833)				(1,833)		(1,833)
						(5,002)	(5,002)
<b>Total Comprehensive Income and Expenditure</b>	<b>(1,833)</b>				<b>(1,833)</b>	<b>(5,002)</b>	<b>(6,836)</b>
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	4,691		(856)	115	3,950	(3,950)	
<b>Net Increase or Decrease before Transfers to Earmarked Reserves</b>	<b>4,691</b>		<b>(856)</b>	<b>115</b>	<b>3,950</b>	<b>(3,950)</b>	
Transfers to/from Earmarked Reserves	(1,765)	1,765					
<b>Increase or Decrease in Year</b>	<b>2,857</b>		<b>(856)</b>	<b>115</b>	<b>2,116</b>	<b>(8,952)</b>	<b>(6,836)</b>
<b>Balance at 31st March 2014</b>	<b>8,565</b>	<b>6,876</b>	<b>187</b>	<b>764</b>	<b>16,392</b>	<b>24,430</b>	<b>40,822</b>

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

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ended 31<sup>st</sup> March 2014 & 2015

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
14,623	(12,757)	1,866	Central services to the public	7,635	(4,322)	3,313
10,189	(4,254)	5,935	Cultural & Related Services	7,598	(2,425)	5,173
12,264	(5,672)	6,592	Environment & Regulatory Services	9,674	(3,458)	6,216
7,049	(4,006)	3,043	Planning Services	5,521	(2,663)	2,858
5,040	(5,461)	(421)	Highways and transport services	4,354	(3,605)	749
51,929	(49,538)	2,391	Other housing services	51,763	(48,177)	3,586
2,421	(308)	2,114	Corporate and democratic core	2,194	(41)	2,153
1,859	0	1,859	Non distributed costs	910		910
<b>105,375</b>	<b>(81,997)</b>	<b>23,379</b>	<b>Cost Of Services</b>	<b>89,648</b>	<b>(64,691)</b>	<b>24,957</b>
1,292	(192)	1,100	Other Operating Expenditure (Note 7)			276
2,458	(231)	2,227	Financing and Investment Income and Expenditure (Note 8)			1,158
	(24,874)	(24,874)	Taxation and Non-Specific Grant Income and Expenditure (Note 9)			(24,618)
		<b>1,832</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>1,773</b>
		(572)	Surplus or deficit on revaluation of non current assets			(256)
		5,574	Remeasurement of the Net Defined Benefit Liability			11,987
		<b>5,002</b>	<b>Other Comprehensive Income and Expenditure</b>			<b>11,731</b>
		<b>6,835</b>	<b>Total Comprehensive Income and Expenditure</b>			<b>13,504</b>

**BALANCE SHEET****As at 31<sup>st</sup> March 2014 & 2015**

<b>31st March 2014 £000</b>		<b>Notes</b>	<b>31st March 2015 £000</b>
59,815	Property, Plant & Equipment	<b>17</b>	56,376
12,727	Investment Property	<b>18</b>	15,962
10,363	Heritage Assets	<b>19</b>	10,384
545	Intangible Assets		417
11	Long Term Investments	<b>21</b>	5,011
26	Long Term Debtors		28
<b>83,487</b>	<b>Long Term Assets</b>		<b>88,178</b>
5,029	Short Term Investments	<b>21</b>	8,000
93	Inventories		87
9,403	Short Term Debtors	<b>23</b>	11,877
15,530	Cash & Cash Equivalents	<b>24</b>	8,264
<b>30,055</b>	<b>Current Assets</b>		<b>28,228</b>
8,344	Short Term Creditors	<b>25</b>	10,039
2,927	Provision for Bad Debts	<b>26</b>	3,313
1,151	Provision for Business Rate Appeals	<b>26</b>	1,068
604	Deferred Liability	<b>28</b>	457
1,367	Capital Grants Receipts in Advance	<b>15</b>	2,173
<b>14,393</b>	<b>Current Liabilities</b>		<b>17,050</b>
180	Provisions		181
1,671	Deferred Liability	<b>28</b>	1,177
56,476	Other Long Term Liabilities	<b>33</b>	70,680
<b>58,327</b>	<b>Long Term Liabilities</b>		<b>72,038</b>
<b>40,822</b>	<b>Net Assets</b>		<b>27,318</b>
16,392	Usable Reserves		15,546
24,430	Unusable Reserves	<b>31</b>	11,772
<b>40,822</b>	<b>Total Reserves</b>		<b>27,318</b>

## CASHFLOW STATEMENT

2013/14 £000		Notes	2014/15 £000
1,833	Net (surplus) or deficit on the provision of services		1,773
(12,409)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	<b>38</b>	(3,066)
3,537	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	<b>39</b>	2,417
(7,040)	<b>Net cash flows from Operating activities</b>		1,124
(2,988)	Investing Activities	<b>41</b>	9,081
950	Financing Activities	<b>42</b>	(2,939)
(9,078)	<b>Net increase or decrease in cash &amp; cash equivalents</b>		7,266
(6,452)	Cash & cash equivalents at the beginning of the reporting period		(15,530)
<b>(15,530)</b>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>		<b>(8,264)</b>

## NOTES TO THE ACCOUNTS

---

### 1 - ACCOUNTING POLICIES

#### a) GENERAL PRINCIPLES

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

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

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

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

- Going concern
- Primary legislative requirements

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

#### b) ACCRUALS OF INCOME & EXPENDITURE

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

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

transaction will flow to the Council.

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

- The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for Kent County Council, the Police and Crime Commissioner for Kent and the Kent & Medway Fire and Rescue Authority in respect of Council Tax and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.
- Similarly, the Council acts as an agent for the Government, Kent County Council and the Kent & Medway Fire and Rescue Authority in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor.
- In addition, the Comprehensive Income and Expenditure Statement includes our share of the Collection Fund surplus/deficit for the year in respect of Council Tax and Business Rates, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

#### **c) CASH & CASH EQUIVALENTS**

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

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

#### **d) EXCEPTIONAL ITEMS**

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

#### **e) PRIOR PERIOD ADJUSTMENTS, CHANGES IN ACCOUNTING POLICIES AND ESTIMATES & ERRORS**

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

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

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

#### **f) CHARGES TO REVENUE FOR NON-CURRENT ASSETS**

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

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

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

## **g) EMPLOYEE BENEFITS**

### **Benefits Payable During Employment**

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

### **Termination Benefits**

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

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

### **Post Employee Benefits**

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

- The liabilities of the KCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate specified by the actuaries (based on the indicative rate of return on high quality corporate bonds.)
- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
  - Quoted securities – current bid price
  - Unquoted securities – professional estimate
  - Unitised securities – current bid price
  - Property – market value
- The change in net pensions liability is analysed into the following components:
  - Service cost which comprises:
    - Current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part on Non Distributed Costs.
    - Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing & Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement.
  - Re-measurements comprising:
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
  - Contributions paid to the Kent County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension fund in the year, not the amount calculated according to the relevant accounting standards. In the Movement in Reserves Statement, this means that there are transfers to and from the Pensions Reserve to remove the notional debits and credits for retirement benefits and replace them with debits for the cash paid to

the pension fund and any amounts payable to the fund but unpaid at the year-end. The negative balance that arises on the Pensions Reserve thereby measures the beneficial impact to the General Fund of being required to account for retirement benefits on the basis of cash flows rather than as benefits are earned by employees.

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The next formal valuation is due on 31<sup>st</sup> March 2016. The outcome of the 2013 valuation took effect from 1<sup>st</sup> April 2014.

The adoption of the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits introduced new components of defined benefit cost to be included in the financial statements; i.e. net interest on the net defined benefit liability and re-measurements of the net defined benefit liability. The changes became effective for periods beginning on or after 1<sup>st</sup> January 2013 and were reflected in the 2013/14 financial statements.

### **Discretionary Benefits**

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

### **h) EVENTS AFTER THE BALANCE SHEET DATE**

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

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

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

### **i) FINANCIAL INSTRUMENTS**

Financial Liabilities:

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value and are carried at their amortised cost. Interest is charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement.

#### Financial Assets:

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

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

#### Loans & Receivables:

Loans & Receivables are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at their amortised cost. Annual credits to the Financing & Investment Income and Expenditure line in the Comprehensive Income & Expenditure Statement for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the loans that the Council has made, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the Comprehensive Income & Expenditure Statement is the amount receivable for the year in the loan agreement.

#### Available-for-sale assets:

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

### **j) GOVERNMENT GRANTS & CONTRIBUTIONS**

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

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

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

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

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

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

## **k) HERITAGE ASSETS**

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

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

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

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) in accordance with the Council's accounting policies on property, plant and equipment. However, some of the measurement rules are relaxed in relation to Heritage Assets, and the valuation methods applied are as follows:

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

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

## **l) INVESTMENT PROPERTIES**

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

#### **m) LEASES**

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

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

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

#### **n) OVERHEADS & SUPPORT SERVICES**

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

- Corporate & Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation.
- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early and impairment losses on assets held for sale.

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

## **o) PROPERTY, PLANT & EQUIPMENT**

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

### **Recognition**

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

### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

### **Component Accounting**

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

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

The policy adopted is as follows:

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be group together for deprecation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Only assets with a gross book value of £1.5 million and over will be considered for componentisation.
- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of 25% in relation to the overall value of the asset or over £500,000 will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

## **Impairment**

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

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

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

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

## **Depreciation**

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

Depreciation is calculated on the following bases:

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

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

## **p) DEFERRED LIABILITIES**

Deferred Liabilities are recognised under the terms of IFRIC 12 (IFRS Interpretations Committee) and the arrangement is recognised as a service concession, and accounted for accordingly. This generally involves the grantor (the Council) conveying to the operator (Serco) for the period of the concession

the right to provide services that give the public access to major economic and social facilities, in this instance Maidstone Leisure Centre.

#### **q) PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS**

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

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

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

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

#### **r) RESERVES**

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

The Council has created a series of Earmarked Reserves to manage more effectively the resources set aside for specific activities. In prior years these resources have formed part of general fund balances. The impact of this change is reflected on the 2013/14 Movement in Reserves statement and in note 32.

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

#### **s) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE**

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

#### **t) VALUE ADDED TAX**

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

#### **u) MINIMUM REVENUE PROVISION**

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

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

## **2 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

In applying the accounting policies set out in Note 1, the Council has had to make certain judgements about complex transactions or those involving uncertainty about future events. The critical judgements made in the Statement of Accounts are:

- A comprehensive review of all property leases has been undertaken to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.

- The value of the Council's Land & Buildings is reviewed at year-end to ensure that it is materially correct.
- A further review of service contracts was also undertaken in accordance with the requirements of IFRIC 4 to determine whether any of the contractual arrangements contain the substance of a finance lease. It was determined that the park & ride contract was classified as containing finance leases for the vehicles involved in the delivery of the service, and these have now been included with Property, Plant & Equipment on the Balance Sheet.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A review of the Council's property portfolio has been undertaken to determine which assets should be classified as Investment Properties. These are those assets held solely to generate rental income or which are held for capital appreciation. A number of assets were classified under this heading, which is shown on the face of the Balance Sheet.
- A review was undertaken to identify what assets the Council owns could potentially be classified as Heritage Assets. Once a list had been established it was determined which of these met the criteria to be classified as a Heritage Asset, and a further judgement was required to determine the appropriate basis for valuation, or whether details of the asset should be disclosed in the note only.
- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication of the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- The Council will make a provision where a future event is uncertain but there is a legal or constructive obligation.

### **3 - ASSUMPTIONS MADE ABOUT THE FUTURE & OTHER MAJOR SOURCES OF ESTIMATION UNCERTAINTY**

The Statement of Accounts contains estimated figures that are based on assumptions made by the Council about the future or that are otherwise uncertain. Estimates are made taking into account historical experience, current trends and other relevant factors. However, because balances cannot be determined with certainty, actual results could be materially different from the assumptions and estimates.

The items in the Council's Balance Sheet at 31<sup>st</sup> March 2015 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

#### **Property, Plant & Equipment**

Uncertainties:

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

Effect if actual results differ from assumptions:

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

#### **Pensions Liability**

Uncertainties:

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

Effect if actual results differ from assumptions:

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

#### **Arrears**

Uncertainties:

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

Effect if actual results differ from assumptions:

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

### **Non-Domestic Rates Appeals**

Following the localisation of non-domestic rates which took effect from 1 April 2013, the Collection Fund became liable for potential losses arising from appeals against the rateable value of business premises. A provision of £2.671m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £1.068m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA. If the proportion of successful appeals were to increase by 10%, an additional provision of £0.7m would be required overall, and the council's share of the provision would increase by £0.3m.

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2014 for 2014/15). Disclosure requirements are expected to be included in a subsequent edition of the Code.

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

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2014/15.

## **5 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS**

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

Maidstone Borough Council – Statement of Accounts 2014/15

General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2013/14 Movement in Unusable Reserves £000		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2014/15 Movement in Unusable Reserves £000
<b>Adjustments primarily involving the Capital Adjustment Account</b>								
<b>Reversal of items debited or credited to the Comprehensive Income &amp; Expenditure Statement:</b>								
2,441			<b>2,441</b>	Charges for depreciation and impairment of non-current assets	2,786			<b>2,786</b>
378			<b>378</b>	Revaluation (gains)/losses on Property, Plant & Equipment	1,923			<b>1,923</b>
(161)			<b>(161)</b>	Movement in the market value of Investment Properties	(737)			<b>(737)</b>
280			<b>280</b>	Amortisation of intangible assets	231			<b>231</b>
(1,549)			<b>(1,549)</b>	Capital grants and contributions applied	(619)		(702)	<b>(1,321)</b>
3,333			<b>3,333</b>	Revenue expenditure funded from capital expenditure under statute	1,619			<b>1,619</b>
104			<b>104</b>	Write-off Non-enhancing Capital Expenditure	163			<b>163</b>
1,460			<b>1,460</b>	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,126)			<b>(1,126)</b>
<b>Insertion of items not debited or credited to the Comprehensive Income &amp; Expenditure Statement</b>								
(578)			<b>(578)</b>	Statutory provision for the financing of capital investment	(640)			<b>(640)</b>
(1,697)			<b>(1,697)</b>	Capital expenditure charged against the General Fund balance	(2,923)			<b>(2,923)</b>
<b>Adjustments primarily involving the Capital Grants Unapplied Account</b>								
(115)		115	<b>0</b>	Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(37)		37	<b>0</b>
<b>Adjustments primarily involving the Capital Receipts Reserve</b>								
(1,651)	1,651		<b>0</b>	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1	1,122		<b>1,123</b>
	(2,507)		<b>(2,507)</b>	Use of the Capital Receipts Reserve to finance new capital expenditure		(1,156)		<b>(1,156)</b>
<b>Adjustments primarily involving the Pensions Reserve</b>								
4,936			<b>4,936</b>	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	5,417			<b>5,417</b>
(3,019)			<b>(3,019)</b>	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,200)			<b>(3,200)</b>
<b>Adjustments primarily involving the Collection Fund Adjustment Account</b>								
486			<b>486</b>	Amount by which council tax and business rates income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(1,152)			<b>(1,152)</b>
<b>Adjustments primarily involving the Financial Instruments Adjustment Account</b>								
				Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(84)			<b>(84)</b>
<b>Adjustments primarily involving the Accumulated Absences Account</b>								
42			<b>42</b>	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	3			<b>3</b>
<b>4,690</b>	<b>(856)</b>	<b>115</b>	<b>3,949</b>	<b>Total Adjustments</b>	<b>1,626</b>	<b>(34)</b>	<b>(665)</b>	<b>927</b>

## 6 - MATERIAL ITEMS OF INCOME & EXPENSE

Within the Comprehensive Income & Expenditure Statement the only material items are those required under the IFRS Code of Practice to be charged to revenue in the first instance. However, they are subsequently reversed out through the Movement in Reserves Statement to ensure that they do not impact upon the bottom line of the General Fund. These movements are detailed in note 5 above.

## 7 - OTHER OPERATING EXPENDITURE

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

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

## 8 - FINANCING AND INVESTMENT INCOME & EXPENDITURE

These are corporate items of income and expenditure arising from the Council's involvement in financial instruments and similar transactions involving interest and investment properties.

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

## 9 - TAXATION & NON-SPECIFIC GRANT INCOMES

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

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Council tax income	13,955	14,647
Revenue Support Grant	4,281	3,275
Income from Retained Business Rates	21,244	22,427
Tariff Payable	(18,760)	(19,126)
Levy Payable	0	(510)
Non-ringfenced Government Grants	4,154	3,905
	<b>24,873</b>	<b>24,618</b>

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

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

## 10 - AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

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

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

Portfolio Holder Income & Expenditure 2014/15	Leader of the Council £000	Community & Leisure £000	Corporate Services £000	Economic & Commercial Development £000	Environment £000	Planning, Transport & Development £000	Total £000
Fees, charges & other service income	(187)	(1,149)	(3,109)	(742)	(3,688)	(6,072)	(14,947)
Government Grants	(269)	(66)	(47,355)	0	0	(65)	(47,755)
<b>Total income</b>	<b>(456)</b>	<b>(1,215)</b>	<b>(50,465)</b>	<b>(742)</b>	<b>(3,688)</b>	<b>(6,137)</b>	<b>(62,702)</b>
Employee expenses	635	796	7,884	1,108	4,645	2,897	17,965
Other service expenses	461	6,073	54,367	2,291	10,097	5,420	78,708
Support service recharges	427	(716)	(6,809)	17	(2,588)	655	(9,014)
<b>Total expenditure</b>	<b>1,523</b>	<b>6,153</b>	<b>55,442</b>	<b>3,416</b>	<b>12,155</b>	<b>8,973</b>	<b>87,659</b>
<b>Net Expenditure</b>	<b>1,067</b>	<b>4,938</b>	<b>4,977</b>	<b>2,674</b>	<b>8,467</b>	<b>2,836</b>	<b>24,957</b>

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

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

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

	2013/14 £000	2014/15 £000
Net Expenditure in Portfolio Analysis	23,379	24,957
Amounts reported below the line on the Net Cost of Services	0	0
<b>Cost of services in Comprehensive Income &amp; Expenditure Statement</b>	<b>23,379</b>	<b>24,957</b>

## Reconciliation to Subjective Analysis

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

2014/15	Portfolio holder analysis £000	Below the line on Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(14,947)		(14,947)		(14,947)
Interest & investment income			0	(209)	(209)
Income from council tax			0	(14,155)	(14,155)
Government grants and contributions	(47,755)		(47,755)	(11,165)	(58,920)
<b>Total Income</b>	<b>(62,702)</b>	<b>0</b>	<b>(62,702)</b>	<b>(25,530)</b>	<b>(88,232)</b>
Employee expenses	17,965		17,965	2,418	20,383
Other service expenses	78,708		78,708	(559)	78,148
Support Service recharges	(9,014)		(9,014)		(9,014)
Interest Payments			0	210	210
Precepts & Levies			0	1,395	1,395
Gain or Loss on Disposal of Fixed Assets			0	(1,118)	(1,118)
<b>Total Expenditure</b>	<b>87,658</b>	<b>0</b>	<b>87,658</b>	<b>2,346</b>	<b>90,005</b>
<b>Surplus or deficit on the provision of services</b>	<b>24,957</b>	<b>0</b>	<b>24,956</b>	<b>(23,183)</b>	<b>1,773</b>

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

## 11 - TRADING OPERATIONS

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

Operation	2013/14	2014/15		(Surplus)/ Deficit £000
	(Surplus)/ Deficit £000	Income £000	Expenditure £000	
Market	13	(342)	392	50
Parkwood Industrial Estate	(362)	(393)	29	(363)
Pay & Display Car Parking	(1,000)	(1,637)	459	(1,179)
On-Street Car Parking	(171)	(670)	464	(206)
Direct Services	(20)	(1,996)	2,062	66
<b>Net (Surplus)/Deficit</b>	<b>(1,540)</b>	<b>(5,038)</b>	<b>3,406</b>	<b>(1,632)</b>

## 12 - MEMBERS' ALLOWANCES

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

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

<http://www.maidstone.gov.uk/council/councillors/councillor-allowances>

### 13 – OFFICERS REMUNERATION

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

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

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

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

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

### Exit Packages

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

Maidstone Borough Council – Statement of Accounts 2014/15

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£000	£000
£0 - £20,000	0	0	11	8	11	8	83	81
£20,001 - £40,000	0	0	0	1	0	1	0	25
£40,001 - £60,000	0	0	1	0	1	0	45	0
£60,001 - £80,000	0	0	0	1	0	1	0	65
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	0	1	0	119	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>13</b>	<b>10</b>	<b>13</b>	<b>10</b>	<b>247</b>	<b>172</b>

#### 14 - EXTERNAL AUDIT COSTS

The Council has incurred the following costs in relation to the audit of the Statement of Accounts, certification of grant claims and to non-audit services provided by the Council's external auditors, Grant Thornton.

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

## 15 - GRANT INCOME

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

<b>Credited to Taxation &amp; Non Specific Grant Income</b>	<b>2013/14 £000</b>	<b>2014/15 £000</b>
Council tax income	13,955	14,647
Revenue Support Grant	4,281	3,275
Income from Retained Business Rates	21,244	22,427
Tarrif Payable	(18,760)	(19,126)
Levy Payable	0	(510)
Non-ringfenced Government Grants	4,154	3,905
<b>Total</b>	<b>24,874</b>	<b>24,618</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	46,219	46,871
Non-Domestic Rates - Cost of Collection	207	208
Council Tax Administration	382	175
New Legislation	245	146
Small Business Rate Relief	0	534
Retail Relief	0	174
New Homes Bonus	0	3,948
Flood Relief	120	10
Other Grants	156	668
<b>Total</b>	<b>47,329</b>	<b>52,734</b>

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:

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

## **16 - RELATED PARTIES**

The Council is required to disclose material transactions with related parties – bodies or individuals that have the potential to control or influence the Council or to be controlled or influenced by the Council. Disclosure of these transactions allows readers to assess the extent to which the Council might have been constrained in its ability to operate independently or might have secured the ability to limit another party's ability to bargain freely with the Council.

### **Central Government**

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 10 on reporting for resources allocation decisions.

### **Members and Senior Officers**

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2014/15 is shown in Note 12.

All Members and Senior Officers were required to complete a declaration of interests that included details of any finance-related transactions with the Council. Two Members made declarations of significance - one is the Chairman of a Parish Council that received Parish Services Scheme funding of £4,154 from the Council, and another is the Managing Director of a stonemasons company that had transactions to the value of £22,640 with the Council. One Senior Officer also disclosed in interest as a board member of two groups, both of which receives grants from the Council.

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

<b>Movements in 2014/15</b>	<b>Infrastructure Assets £000</b>	<b>Land &amp; Buildings £000</b>	<b>Plant, Machinery &amp; Equipment £000</b>	<b>Vehicles £000</b>	<b>IT &amp; Office Equipment £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuations</b>								
At 1st April 2014	3,996	45,112	11,998	1,239	4,283	3,080	1,261	<b>70,970</b>
Additions	4	611	158	284	88	12	22	<b>1,178</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	1,540	0	0	0	0	0	<b>1,540</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(3,770)	0	0	0	0	0	<b>(3,770)</b>
Transfers between categories	0	1,250	0	0	0	0	(1,250)	<b>0</b>
Other movements in cost or valuation	(4)	(150)	0	0	0	0	(10)	<b>(164)</b>
<b>At 31st March 2015</b>	<b>3,996</b>	<b>44,592</b>	<b>12,157</b>	<b>1,521</b>	<b>4,371</b>	<b>3,093</b>	<b>24</b>	<b>69,753</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2014	(2,437)	(1,593)	(4,149)	(928)	(2,049)	0	0	<b>(11,155)</b>
Depreciation charge	(201)	(1,300)	(757)	(239)	(286)	0	0	<b>(2,785)</b>
Depreciation written out to the Revaluation Reserve	0	563	0	0	0	0	0	<b>563</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Transfers between categories	0	0	0	0	0	0	0	<b>0</b>
Other movements in cost or valuation	0	0	0	0	0	0	0	<b>0</b>
<b>At 31st March 2015</b>	<b>(2,638)</b>	<b>(2,331)</b>	<b>(4,906)</b>	<b>(1,167)</b>	<b>(2,335)</b>	<b>0</b>	<b>0</b>	<b>(13,377)</b>
<b>Net Book Value</b>								
<b>At 31st March 2015</b>	<b>1,358</b>	<b>42,262</b>	<b>7,250</b>	<b>354</b>	<b>2,035</b>	<b>3,093</b>	<b>24</b>	<b>56,376</b>
At 31st March 2014	1,562	43,518	7,849	311	2,234	3,080	1,261	<b>59,814</b>

<b>Movements in 2013/14</b>	<b>Infrastructure Assets £000</b>	<b>Land &amp; Buildings £000</b>	<b>Plant, Machinery &amp; Equipment £000</b>	<b>Vehicles £000</b>	<b>IT &amp; Office Equipment £000</b>	<b>Community Assets £000</b>	<b>Assets Under Construction £000</b>	<b>Total Property, Plant &amp; Equipment £000</b>
<b>Cost or Valuations</b>								
At 1st April 2013	5,933	46,782	10,194	4,039	4,350	3,098	2	<b>74,398</b>
Additions	20	427	287	113	13	38	1,259	<b>2,157</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(605)	0	0	0	0	0	<b>(605)</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(378)	0	0	0	0	0	<b>(378)</b>
Transfers between categories	(1,581)	48	1,555	0	0	(22)	0	<b>0</b>
Other movements in cost or valuation	(375)	(1,162)	(38)	(2,914)	(80)	(34)	0	<b>(4,603)</b>
<b>At 31st March 2014</b>	<b>3,996</b>	<b>45,112</b>	<b>11,998</b>	<b>1,239</b>	<b>4,283</b>	<b>3,080</b>	<b>1,261</b>	<b>70,970</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2013	(3,426)	(2,136)	(2,568)	(3,644)	(1,807)	0	0	<b>(13,582)</b>
Depreciation charge	(202)	(1,044)	(747)	(187)	(262)	0	0	<b>(2,442)</b>
Depreciation written out to the Revaluation Reserve	0	1,155	0	0	0	0	0	<b>1,155</b>
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	<b>0</b>
Transfers between categories	980	(26)	(954)	0	0	0	0	<b>0</b>
Other movements in cost or valuation	213	457	120	2,903	20	0	0	<b>3,713</b>
<b>At 31st March 2014</b>	<b>(2,435)</b>	<b>(1,594)</b>	<b>(4,150)</b>	<b>(928)</b>	<b>(2,049)</b>	<b>0</b>	<b>0</b>	<b>(11,156)</b>
<b>Net Book Value</b>								
<b>At 31st March 2014</b>	<b>1,562</b>	<b>43,518</b>	<b>7,849</b>	<b>311</b>	<b>2,234</b>	<b>3,080</b>	<b>1,261</b>	<b>59,814</b>

Analysis of Land & Buildings Movements 2014/15	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Theatres
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuations</b>												
At 1st April 2014	9,915	1,572	1,729	2,864	0	83	6,854	1,050	13,586	543	1,705	4,078
Additions		34			463				87	8	3	2
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,667)				31	113	1,216					
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,530)				(393)							
Assets Reclassified					1,250							
Other movements in cost or valuation		(36)							(87)	(8)	(3)	(2)
<b>At 31st March 2015</b>	<b>6,718</b>	<b>1,570</b>	<b>1,729</b>	<b>2,864</b>	<b>1,350</b>	<b>195</b>	<b>8,070</b>	<b>1,050</b>	<b>13,586</b>	<b>543</b>	<b>1,705</b>	<b>4,078</b>
<b>Accumulated Depreciation &amp; Impairment</b>												
At 1st April 2014	(181)	(181)	11	(152)	0	0	(339)	(22)	(257)	(32)	(342)	(70)
Depreciation charge		(89)	(23)	(164)	(135)		(379)	(21)	(257)	(1)	(123)	(70)
Depreciation written out to the Revaluation Reserve	225						339					
Depreciation written out to the Surplus/Deficit on the Provision of Services												
Other movements in cost or valuation	10											
<b>At 31st March 2015</b>	<b>54</b>	<b>(269)</b>	<b>(12)</b>	<b>(317)</b>	<b>(135)</b>	<b>0</b>	<b>(379)</b>	<b>(43)</b>	<b>(513)</b>	<b>(33)</b>	<b>(465)</b>	<b>(140)</b>
<b>Net Book Value</b>												
<b>At 31st March 2015</b>	<b>6,772</b>	<b>1,301</b>	<b>1,718</b>	<b>2,548</b>	<b>1,215</b>	<b>195</b>	<b>7,692</b>	<b>1,007</b>	<b>13,073</b>	<b>510</b>	<b>1,240</b>	<b>3,937</b>
At 31st March 2014	9,734	1,391	1,740	2,712	0	83	6,515	1,028	13,330	511	1,363	4,008

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

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

### **Depreciation**

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

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer.
- Vehicles, Plant, Furniture, IT & Office Equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.
- Infrastructure - straight-line allocation over 20 years.

### **Capital Commitments**

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

### **Revaluations**

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out externally by Harrison's Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 1<sup>st</sup> April 2014 in accordance with the requirements of the Code of Practice, and are considered to be materially accurate at the Balance Sheet date.

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

	Infrastructure Assets £000	Community Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Assets Under Construction £000	Total £000
Carried at historical cost	3,997	3,093	421	12,155	1,523	4,370	25	25,585
Valued at fair value as at:								
31st March 2011			316					316
31st March 2012			698					698
31st March 2013			2,326					2,326
31st March 2014			24,815					24,815
31st March 2015			16,014					16,014
<b>Total Cost or Valuation</b>	<b>3,997</b>	<b>3,093</b>	<b>44,589</b>	<b>12,155</b>	<b>1,523</b>	<b>4,370</b>	<b>25</b>	<b>69,754</b>

## 18 - INVESTMENT PROPERTIES

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

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

## 19 – HERITAGE ASSETS: 5 YEAR SUMMARY OF TRANSACTIONS

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

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

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

### Museum Exhibits

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

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

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

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

The total of £9.090m represents those items that have formally been valued as at 1<sup>st</sup> April 2011 for insurance purposes by a number of reputable auction houses. The value of the total collection is likely to be far higher, and is valued for insurance purposes at £17.5m (which includes items on loan to the Council, and those held in Trust at the Museum), but it is considered that it would not be cost-effective or of any significant benefit to formally value the entire collection. The value is reviewed on an annual basis for insurance purposes.

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

### **War Memorials**

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

### **Statues and Sculptures**

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

### **Other Items**

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

### **Listed Buildings and Other Heritage Assets**

The Old College complex, comprising the Gateway, the Masters Tower and the Quarterdeck has been classified as a heritage asset. However due to the age and nature of the buildings it is be possible to ascertain an accurate valuation.

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

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

## 21 - FINANCIAL INSTRUMENTS

### Categories of Financial Instruments

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

	Long-term		Short-Term	
	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
<b>Investments</b>				
Loans & receivables		5,000	12,559	11,022
Available-for-sale financial assets	11	11	8,000	5,084
	11	5,011	20,559	16,106
Bank Overdraft				
<b>Debtors</b>				
Loans & receivables	26	28	6,278	7,539
<b>Creditors</b>				
Financial liabilities at amortised cost			3,862	3,210
<b>Other Long Term Liabilities</b>				
Finance Lease Liabilities	1,671	1,177	604	457

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

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

### Income & Expense

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

### Fair Value of Assets and Liabilities

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

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

## **22 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS**

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

The Council also provides written principles for overall risk management, as well as written policies covering specific areas such as interest rate risk, credit risk and the investment of surplus cash. These are set out in the Council's Treasury Management Practices, which are requirement of CIPFA's Treasury Management Code of Practice, which has been adopted by the Council. Treasury Management indicators have also been set to control key financial instruments risks in accordance with CIPFA's Prudential Code. The Treasury Management Practices can also be viewed on the Council's website, at the above link.

### **Treasury Management Strategy 2014/15**

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

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

### **Credit Risk**

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

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

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

As at 31<sup>st</sup> March 2015 the investments were held with the following institutions:

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

### Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Borrowing is generally only undertaken on a short-term basis for cash flow purposes, and there is also an overdraft facility of £0.5m available with Lloyds Bank. However provision has also been made with the current Treasury Management Strategy to have an authorised debt limit of £10m to fund on-going schemes in the event of projected capital receipts not being realised.

### Refinancing and Maturity Risk

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

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

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

### Market Risk – Interest Rate Risk

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

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

The Council has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Council’s prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure.

The Council also makes use of interest rate forecasts and market data and advice provided by its Treasury Management advisors to ensure that investment income is maximised wherever possible.

### Foreign Exchange Risk

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

## 23 – DEBTORS

### Short Term

	<b>2014/15</b>	<b>2015/16</b>
	<b>£000</b>	<b>£000</b>
Central government bodies	282	567
Other local authorities	51	89
Other entities and individuals	9,068	11,220
<b>Total</b>	<b>9,401</b>	<b>11,877</b>

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

Other entities and individuals are broken down as follows:

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

## 24 - CASH & CASH EQUIVALENTS

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

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

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

## 25 – CREDITORS

### Short Term

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

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

Other entities and individuals are broken down as follows:

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

## 26 - PROVISIONS

### PROVISION FOR BAD DEBTS

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

## PROVISION FOR BUSINESS RATES APPEALS

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

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

## 27 - TRUST FUNDS

The Council is required to set out details of the nature and amount of trust funds where it acts as sole trustee, the only one of which is the Cobtree Estate Trust. The object of this trust is to hold Cobtree Manor and Cobtree Manor Estate for the benefit of the inhabitants of Maidstone and other members of the general public.

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

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

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

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

## 28 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

The Council has no Private Finance Initiative Schemes, but the following scheme is a similar contract as it is defined as a service concession arrangement.

The Council entered into an agreement during 2009/10 with Serco, the managing contractor of Maidstone Leisure Centre, to undertake a major refurbishment of the centre. Under the terms of the agreement Serco have initially funded the cost of the works through a loan, and the Council are then repaying this loan over a 15 year term, by equal monthly instalments. The principal element of this loan is reflected on the Balance Sheet, and will be written down annually by the amount of principal repaid. Interest paid on the loan is charged to the Comprehensive Income & Expenditure Statement.

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

The annual principal repayments are credited to the Comprehensive Income & Expenditure Statement, and then reversed out of the Movement in Reserves Statement to the Capital Adjustment Account to reflect the fact that this is a repayment of debt, as this arrangement is classed as borrowing under the terms of the CIPFA Prudential Code for Capital.

## Payments

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

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

## 29 – CAPITAL RECEIPTS RESERVE

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

	31st March 2014 £000	31st March 2015 £000
<b>Balance at 1st April</b>	<b>1,043</b>	<b>192</b>
Capital Receipts Received	1,656	1,122
Capital Receipts Applied	(2,507)	(1,156)
<b>Balance at 31st March</b>	<b>192</b>	<b>158</b>

## 30 – EARMARKED RESERVES

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

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

**Description of Reserves:**

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

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

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

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

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

**31 - UNUSABLE RESERVES**

	<b>31st March 2014 £000</b>	<b>31st March 2015 £000</b>
Revaluation Reserve	25,328	25,547
Capital Adjustment Account	56,220	56,309
Deferred Capital Receipts Reserve	25	27
Pensions Reserve	(56,477)	(70,680)
Collection Fund Adjustment Account	(486)	666
Accumulated Absences Account	(180)	(181)
Financial Instruments Adjustment Account	0	84
<b>Total Unusable Reserves</b>	<b>24,430</b>	<b>11,772</b>

**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 1<sup>st</sup> 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.

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

### **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 1<sup>st</sup> April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

Maidstone Borough Council – Statement of Accounts 2014/15

	<b>31st March 2014 £000</b>	<b>31st March 2015 £000</b>
<b>Balance at 1st April</b>	<b>57,460</b>	<b>56,220</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(2,441)	(2,786)
Amortisation of intangible assets	(280)	(231)
Prior Year Adjustments		
Revaluation Losses on Property, Plant & Equipment	(378)	(1,923)
Revenue expenditure funded from capital under statute	(3,333)	(1,619)
Write-off of non-enhancing capital expenditure	(104)	(163)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,460)	0
	<b>(7,997)</b>	<b>(6,722)</b>
Adjusting amounts written out of the Revaluation Reserve	265	36
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(7,732)</b>	<b>(6,686)</b>
Capital financing applied in the year:		
Sums set-aside for Debt Repayment	578	638
Use of the Capital Receipts Reserve to finance new capital expenditure	2,507	1,156
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,549	1,321
Application of grants to capital financing from the Capital Grants Unapplied Account		
Capital expenditure charged against the General Fund balance	1,697	2,923
	<b>6,331</b>	<b>6,038</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	161	737
<b>Balance at 31st March</b>	<b>56,220</b>	<b>56,309</b>

### 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.

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Opening balance at 1 April	48,985	56,476
Remeasurements of the net defined liability	5,574	11,987
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,936	5,417
Employer's pensions contributions	(3,019)	(3,200)
<b>Closing balance at 31 March</b>	<b>56,476</b>	<b>70,680</b>

### 32 - CAPITAL EXPENDITURE & CAPITAL FUNDING

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

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

### 33 - DEFINED BENEFIT PENSION SCHEMES

#### Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

### **Transactions Relating to Post-employment Benefits**

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

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

## Curtailments

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

## Settlements

There were no liabilities settled at a cost materially different to the accounting reserve as a result of members transferring to / from another employer over the year (2013/14 £96,000).

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

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

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

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

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

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

### Local Government Pension Scheme Assets

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

### Basis for Estimating Assets and Liabilities

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

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Kent County Council Pension Fund are based on the latest full valuation of the scheme as at 31<sup>st</sup> March 2013.

The principal assumptions used by the actuary have been:

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

### Sensitivity Analysis

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

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

### Scheme History

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

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £70.680m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31<sup>st</sup> March 2016 are £3.008m.

### 34 – LEASES

#### Finance Leases – Council as Lessee

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

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

	<b>31st March 2014 £000</b>	<b>31st March 2015 £000</b>
Not more than 1 year	604	608
Later than 1 year and not later than 5 years	1,962	2,026
Later than 5 years	3,047	2,527
	<b>5,614</b>	<b>5,161</b>

### 35 - IMPAIRMENT LOSSES

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

### 36 - CONTINGENT LIABILITIES

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

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

### 37 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Regeneration & Communities on 30<sup>th</sup> June 2015. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31<sup>st</sup> March 2015 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

	<b>2013/14</b>	<b>2014/15</b>
	<b>£000</b>	<b>£000</b>
Depreciation	(2,441)	(2,786)
Revaluation Gains & Losses	(378)	(2,086)
Amortisation of Intangible Assets	(280)	(231)
Movement in Provisions	(2,136)	(304)
Movement in Creditors	(2,062)	1,608
Movement in Debtors	(1,884)	2,443
Movement in Inventories	(11)	(6)
Movement in Pension Liabilities	(1,917)	(2,440)
Carrying amount of Non-Current Assets sold	(1,460)	0
Other Non-Cash items	161	737
	<b>(12,408)</b>	<b>(3,066)</b>

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

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

**40 - CASH FLOW STATEMENT – OPERATING ACTIVITIES**

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

#### 41 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2013/14 £000	2014/15 £000
Purchase of property, plant & equipment, investment property and intangible assets	2,456	3,780
Purchase of short-term and long-term investments	5,000	13,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,780)	(1,276)
Proceeds from short-term and long-term investments	(7,000)	(5,000)
Other receipts for investing activities (Grants)	(1,664)	(1,424)
<b>Net cash flows from investing activities</b>	<b>(2,988)</b>	<b>9,081</b>

#### 42 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

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

## COLLECTION FUND STATEMENT &amp; NOTES

2013/14 £000		2014/15 £000    £000	
	<b>INCOME</b>		
84,145	Income From Council Tax		87,560
56,222	Income From Business Rates (Note 2)		57,092
	Transfers from General Fund		79
<b>140,367</b>	<b>Total Income</b>		<b>144,732</b>
	<b>EXPENDITURE</b>		
	Precepts and Demands - Council Tax		
57,930	Kent County Council	59,797	
7,821	Kent Police & Crime Commissioner	8,073	
13,719	Maidstone Borough Council	14,226	
3,757	Kent & Medway Towns Fire Authority	<u>3,878</u>	85,973
	Shares of Business Rates		
27,458	Central Government	26,825	
4,942	Kent County Council	4,829	
21,966	Maidstone Borough Council	21,460	
549	Kent & Medway Towns Fire Authority	<u>537</u>	53,651
34	Transitional Protection Payments - Business Rates		305
	Impairment of Debts - Council Tax		
161	Write offs of uncollectable amounts	266	
24	Additional / (Reduced) Provision For Non Payment	<u>284</u>	550
	Impairment of Debts/Appeals - Business Rates		
468	Write offs of uncollectable amounts	344	
480	Additional / (Reduced) Provision For Non Payment	374	
	Losses on appeal	(2,697)	
2,878	Additional / (Reduced) Provision For Appeals	<u>2,490</u>	512
207	Cost of Collection Allowance - Business Rates		208
<b>142,394</b>	<b>Total Expenditure</b>		<b>141,199</b>
(2,027)	Surplus/(Deficit) For Year		3,533
247	Adjustment to Surplus - Council Tax		-
955	Adjustment to Surplus - Business Rates		-
448	Surplus/(Deficit) Brought Forward From Previous Years		(377)
<b>1,427</b>	<b>Surplus/(Deficit) on Council Tax</b>		<b>2,543</b>
<b>(1,805)</b>	<b>Surplus/(Deficit) on Business Rates</b>		<b>613</b>
<b>(377)</b>	<b>Surplus/(Deficit) as at 31st March 2015</b>		<b>3,157</b>

The Collection Fund is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of this council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

## Notes to the Collection Fund

### Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 1 April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner Kent & Medway Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the council tax base [the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 55,675.1 for 2014/15 (55,155.1 for 2013/14) (see table below)]. This basic amount of council tax for a Band D property, £1,513.36 for 2014/15, (£1,483.82 for 2013/14) is multiplied by the proportion specified for the particular band to give an individual amount due. Parish Precepts are added to this basic amount.

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

Band	Number of Dwellings	Multiplier	Council Tax Base
Band A (incl disabled relief)	0.70	5/9	0.4
Band A	2,930.50	6/9	1,953.7
Band B	6,415.80	7/9	4,990.0
Band C	14,440.80	8/9	12,836.3
Band D	14,305.20	9/9	14,305.2
Band E	7,557.40	11/9	9,236.8
Band F	4,353.00	13/9	6,287.7
Band G	3,208.20	15/9	5,347.0
Band H	263.70	18/9	527.3
Other			190.7
			<b>55,675.1</b>

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

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

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

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

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

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

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

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

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

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

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

# Draft Annual Governance Statement

2014/15

(To follow)

## **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.