



**Statement of Accounts for the year ending
31st March 2016**

Draft Statement – Subject to External Audit

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NARRATIVE REPORT

Review of 2015/16 Financial Year

Statement of Accounts

The Council's accounts for the year 2015/16 covering the period 1st April 2015 to 31st March 2016 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 report.
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 £1,000.

This Statement has been produced in accordance with the requirements of the Code of Practice on Local Authority Accounting for 2015/16, 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 required to be signed off by the Responsible Financial Officer by 30th June, with the approval of the Audit, Governance & Standards Committee to be given by 30th September.

There were no significant changes to the accounting requirements for 2015/16.

The Council's financial year runs from 1st April to 31st March. A summary of the Balance Sheet as at 31st March 2016 is shown below:

2014/15		2015/16
£000		£000
56,326	Property, Plant & Equipment	57,882
10,384	Heritage Assets	10,384
15,962	Investment Properties	16,309
5,455	Other Long Term Assets	452
24,915	Money owed to the Council	31,588
(13,737)	Money owed by the Council	(15,068)
(72,038)	Long Term Liabilities	(65,715)
27,267	Net Assets	35,832
15,546	Usable Reserves	19,309
11,721	Unusable Reserves	16,073
27,267	Total Reserves	35,382

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

- Other Long Term Assets have reduced due to there being no long term investments (those held for greater than one year) as at 31st March 2016.
- Those funds previously invested long term are now invested short term, which have increased in value as a consequence.
- The reduction in Long Term Liabilities includes a reduction of £8.8m in the pensions liability figure, and this is also reflected in the increase in Unusable Reserves.

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:

	Original Estimate £000	Revised Estimate £000	Actual £000	Variance to Revised £000
Service Committee				
Policy & Resources	6,541	9,508	8,750	(758)
Strategic Planning, Sustainability & Transportation	(507)	1,931	1,798	(133)
Communities, Housing & Environment	8,524	9,645	9,843	198
Heritage, Culture & Leisure	419	5,069	5,354	285
Movements in Balances & Appropriation Accounts **	5,156	(6,020)	(6,020)	(0)
Net Service Spending	20,133	20,133	19,725	(408)
Parish Precepts	1,394	1,394	1,394	0
Net Expenditure	21,527	21,527	21,119	(408)
Funded by:				
Council Tax	14,823	14,823	14,823	0
Revenue Support Grant	2,267	2,267	2,267	0
Retained Business Rates	4,135	4,135	4,135	0
Collection Fund Surplus	302	302	302	0
Total Funding	21,527	21,527	21,527	0

** - This line contains a number of adjustments for non-cash movements which are required under statutory accounting standards. Movements relate to pension fund adjustments, amounts set aside for the collection fund deficit, reprofiling of the capital budget and other capital accounting adjustments.

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.

The outturn for the year was an overall underspend of £0.4m which includes unspent service specific grants which have been carried forward into 2016/17, leaving a general underspend of £0.1m. Within the net increase on the general fund balance of £3.6m (as shown in the Movement in Reserves Statement), there is £3.2m which needs to be set aside to fund the deficit on the collection fund leaving £0.4m as shown above.

The totals shown within the table above contain a number of areas where there were significant variances against the budget during the year. The largest variances are detailed below:

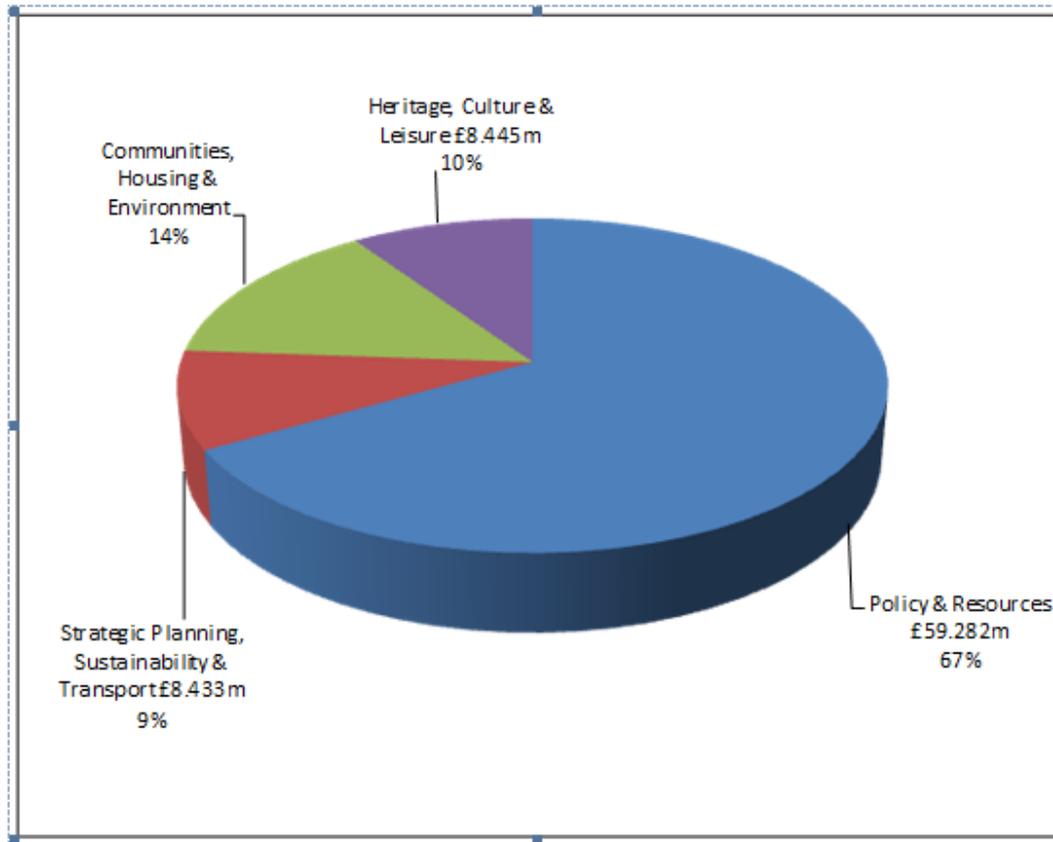
- Higher than budgeted income for garden bins, resulting in a favourable variance of £0.1m;
- Higher than budgeted income from on street and residents parking, however, it should be noted that part of this surplus is ring-fenced by statute so this does not represent a general underspend;

- An overspend against the temporary accommodation budget of £0.5m due to high demand for this service. Projects aimed at reducing the cost to the council of providing temporary accommodation are ongoing and have enabled the council to avoid additional costs of £0.284m during 2015/16;
- An overspend against the Mote Park budget of £0.1m, arising from unbudgeted costs for equipment and repairs, and lower than anticipated income due to car parking charges being brought in later than planned.

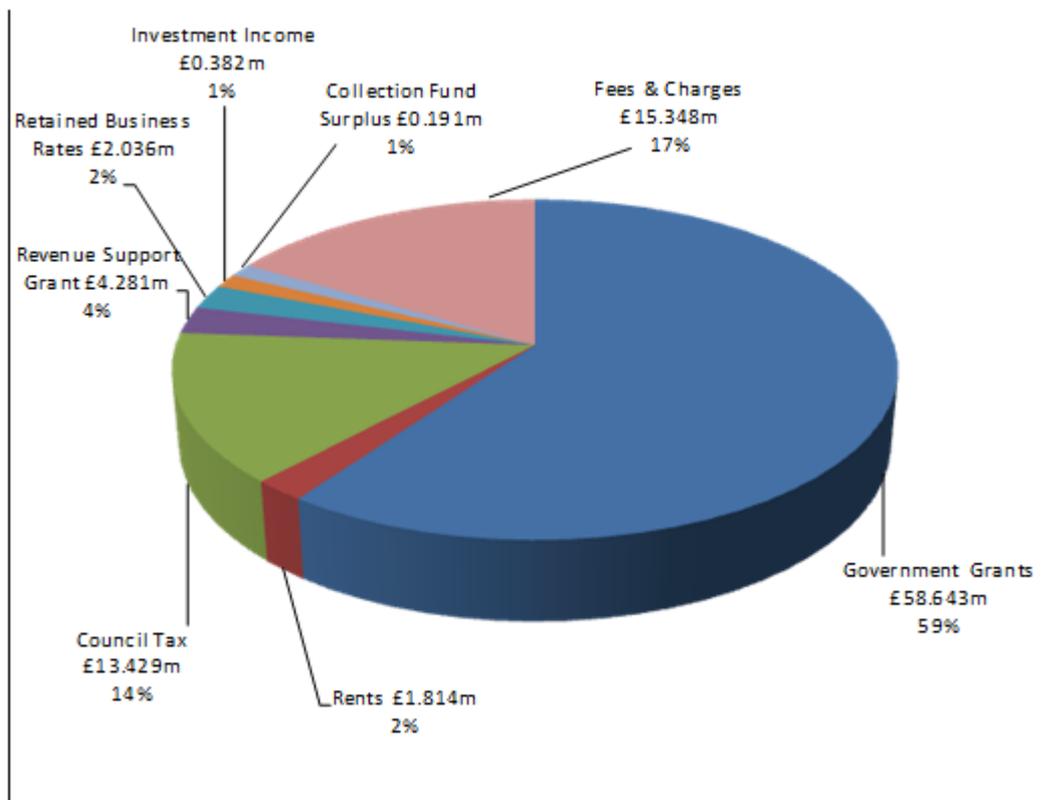
Expenditure & Income - The pie charts shown on the following page illustrate in broad terms where the Council's money comes from and the services that it provides.

20% 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 59% of the total.

Spending – Where it Went



Income – Where it Came From



Capital Expenditure & Income

The Council spent £4.536m on Capital Projects compared to an original estimate of £3.461m. 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 £5.040m. Significant elements of the capital spending were the acquisition of land and property in Union Street (£1.9m), housing grants (£0.8m) and the installation of solar panels on a number of Council properties (£0.4m).

A summary of capital expenditure is shown below:

Committee	Original Estimate £000	Revised Estimate £000	Actual £000	Variance to Revised £000
Communities, Housing & Environment	1,401	2,838	802	2,036
Heritage, Culture & Leisure	750	631	664	(33)
Policy & Resources	1,310	1,063	2,713	(1,650)
Strategic Planning, Sustainability & Transport	0	508	8	500
Externally Funded Schemes *	0	0	349	-
Total	3,461	5,040	4,536	853

* These were schemes funded mainly through Section 106 contributions from developers.

The variance on Communities, Housing & Environment relates to unused funding for the purchase of property for dealing with temporary homelessness, which will be rolled forward into 2016/17. The variance on Policy & Resources relates to the purchase of land and property in Union Street. It was originally anticipated that the purchase would take place in 2016/17, but as it took place in 2015/16 the resources will be brought forward.

Capital expenditure was funded as follows:

	£000
Revenue Support	2,978
Disposal of Assets - Current & Previous Years	686
Other Grants & Contributions	872
Total	4,536

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 2015/16, as there were sufficient resources available to fund the programme.

Investments generated income of £0.252m in 2015/16. (The figure for 2014/15 was £0.209m). This is a reflection of the continuing low level of interest returns. 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 2015/16 totalling £89.333m were as follows:

Authority	£000
Maidstone Borough Council	14,823
Kent County Council	62,101
Kent Police & Crime Commissioner	8,384
Kent & Medway Towns Fire & Rescue Authority	4,025
Total	89,333

The Band D level of Council Tax in 2015/16 was £1,543.50, which breaks down as follows:

Authority	£.p
Maidstone Borough Council	235.71
Kent County Council	1,089.99
Kent Police & Crime Commissioner	147.15
Kent & Medway Towns Fire & Rescue Authority	70.65
Total	1,543.50

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.

During 2015/16 the council participated in a business rates pooling arrangement with Kent County Council, Kent Fire and Rescue Authority and nine other district councils in Kent. This has enabled the council to retain a greater proportion of the income generated through growth in its business rates baseline. For 2015/16, the Kent Business Rates pool has delivered a net benefit of £4.2m for the authorities in the pool which represents local retention of business rates growth that would otherwise have been payable to central government. The retained growth is shared between Kent County Council and the district councils in accordance with the terms of the pooling agreement.

Pensions

Note 33 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 £70.680m in 2014/15 to £64.641m in 2015/16.

Other Comments

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

Performance Indicators

The Council has 29 key performance indicators (KPIs) which were agreed in the Strategic Plan 2015-20 for 2015/16, relating to eight strategic outcomes.

Performance indicators are judged in two ways; firstly on whether performance has improved, been sustained or declined, compared to the same period in the previous year. This is known as Direction. Where there is no previous data, no assessment of Direction can be made.

The second way is to look at whether an indicator has achieved the target set and is known as PI status. If an indicator has achieved or exceeded the annual target they are rated green. If the target has been missed but is within 10% of the target it will be rated amber and if the target has been missed by more than 10% it will be rated red.

Overall, 40% (5) of KPIs achieved the annual target set and for 40% of indicators performance improved. A summary of the results is shown in the table below.

RAG Rating	Green	Amber	Red	N/A	Total
KPIs	6	5	4	12	27
Strategic Actions	14	0	0	-	14
Direction	Up	Across	Down	N/A	Total
KPIs	9	-	11	7	27

Data was not collected for two of the indicators in 2015/16.

Further details are contained within the Annual Performance Plan for 2015/16, which can be viewed on the Council's website via the following link:

<http://www.maidstone.gov.uk/council/performance-and-stats/how-were-doing>

Medium Term Financial Strategy

The medium term financial strategy and the strategic plan will undergo a full review during 2016-17 for the forthcoming five year period 2017-18 to 2021-22. As part of the finance settlement for 2016/17 the Government made an offer of a fixed, four year local government finance settlement. If the council decides to formally accept this offer, it must produce an efficiency plan that will outline how it will achieve its objectives within the available resources set out in the settlement. The risk in relation to accepting the settlement is that the Council could not then expect a better position should the economy improve; the

opportunity is that the Council will be certain of minimum future resources and be more effectively able to plan for the period to 2018/19. The strategic revenue projection currently anticipates that savings of £6.4m will need to be identified over the five year period to 2021/22. Transitional funding of £0.4m is being made available by the government to support the delivery of the savings.

Future Developments

The on-going economic situation will continue to have a significant effect on the financial position of the Council in 2016/17. With continuing uncertainty over new capital receipts, existing receipts and funding from the New Homes Bonus will need to be used to fund the capital programme, which in turn will further reduce sums available to invest. Approval is in place for borrowing to continue to fund the capital programme going forward.

As part of the finance settlement for 2016/17 the Government made an offer of a fixed, four year local government finance settlement. This is subject to formal acceptance by each local authority. As part of accepting the offer the local authority must produce and publish on their website an efficiency plan that will outline how it will achieve its objectives within the available resources set out in the settlement. The risk in relation to accepting the settlement is that the Council could not then expect a better position should the economy improve; the opportunity is that the Council will be certain of minimum future resources and be more effectively able to plan for the period to 2018/19. The Council is currently putting together its efficiency plan and this will be published shortly.

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 Mid Kent Services (MKS), 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 was developed was a commercial waste venture for local small and medium businesses and work is now being undertaken around cultural and leisure activities, specifically looking at opportunities within Mote Park.

In May 2015 the Council changed its governance arrangements to a committee system which replace the Cabinet model. The Service Committee analysis shown on page 5 and in note 10 reflects the new system.

Authorised for Publication

This Statement was authorised for publication on 30th June 2016, the date it was signed by the Director of Finance & Business Improvement as presenting a true and fair view of the financial affairs of the Council for 2015/16.

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

The Director of Finance & Business Improvements' Responsibilities

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

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

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

The Director of Finance & Business Improvement has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2016.

Signed:

Mark Green, Director of Finance & Business Improvement

Date: 30th June 2016

PRIMARY STATEMENTS

MOVEMENT IN RESERVES STATEMENT For the years ended 31st March 2015 & 2016

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2015	15,293	154	99	15,546	11,721	27,267
Movement in Reserves during 2015/16						
Surplus or Deficit on the Provision of Services	(1,672)	0	0	(1,672)	0	(1,672)
Other Comprehensive Income and Expenditure	0	0	0	0	9,787	9,787
Total Comprehensive Income and Expenditure	(1,672)	0	0	(1,672)	9,787	8,115
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	5,236	167	30	5,433	(5,433)	0
Net Increase or (Decrease) before Transfers to Earmarked Reserves	5,236	167	30	5,433	(5,433)	0
Transfers to/from Earmarked Reserves	0	0	0	0	0	0
Increase or (Decrease) in Year	3,565	167	30	3,761	4,354	8,115
Balance at 31st March 2016	18,857	321	130	19,309	16,073	35,382

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

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ended 31st March 2015 & 2016

2014/15				2015/16		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
7,635	(4,322)	3,313	Central services to the public	7,657	(4,502)	3,155
7,598	(2,425)	5,173	Cultural & Related Services	7,661	(2,302)	5,359
9,674	(3,458)	6,216	Environment & Regulatory Services	9,786	(3,512)	6,274
5,521	(2,663)	2,858	Planning Services	6,338	(2,753)	3,585
4,504	(3,605)	899	Highways and transport services	2,938	(3,848)	(910)
51,664	(48,177)	3,487	Other housing services	52,050	(48,909)	3,141
2,194	(41)	2,153	Corporate and democratic core	1,915	(8)	1,907
910		910	Non distributed costs	1,354	0	1,354
89,700	(64,691)	25,009	Cost Of Services	89,699	(65,834)	23,865
		276	Other Operating Expenditure (Note 7)			655
		1,158	Financing and Investment Income and Expenditure (Note 8)			1,266
		(24,619)	Taxation and Non-Specific Grant Income and Expenditure (Note 9)			(24,114)
		1,824	(Surplus) or Deficit on Provision of Services			1,672
		(256)	Surplus or deficit on revaluation of non current assets			(990)
		11,987	Remeasurement of the Net Defined Benefit Liability			(8,797)
		11,731	Other Comprehensive Income and Expenditure			(9,787)
		13,555	Total Comprehensive Income and Expenditure			(8,115)

BALANCE SHEET**As at 31st March 2015 & 2016**

31st March 2015 £000		Notes	31st March 2016 £000
56,326	Property, Plant & Equipment	17	57,882
15,962	Investment Property	18	16,309
10,384	Heritage Assets	20	10,384
416	Intangible Assets		428
5,011	Long Term Investments	21	0
28	Long Term Debtors		24
88,127	Long Term Assets		85,027
8,000	Short Term Investments	21	14,000
87	Inventories		53
8,564	Short Term Debtors	23	13,385
8,264	Cash & Cash Equivalents	24	4,150
24,915	Current Assets		31,588
10,039	Short Term Creditors	25	9,320
1,068	Provision for Business Rate Appeals	26	2,515
457	Deferred Liability	28	629
2,173	Capital Grants Receipts in Advance	15	2,604
13,737	Current Liabilities		15,068
181	Provisions		176
1,177	Deferred Liability	28	898
70,680	Other Long Term Liabilities	33	64,641
72,038	Long Term Liabilities		65,715
27,267	Net Assets		35,832
15,546	Usable Reserves		19,309
11,721	Unusable Reserves	31	16,073
27,267	Total Reserves		35,382

CASHFLOW STATEMENT

2014/15 £000		Notes	2015/16 £000
1,824	Net (surplus) or deficit on the provision of services		1,672
(3,117)	Adjustments to net surplus or deficit on the provision of services for non-cash movements		(5,700)
2,417	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities		6,751
1,124	Net cash flows from Operating activities		2,723
9,082	Investing Activities		(2,708)
(2,939)	Financing Activities		4,098
7,267	Net increase or decrease in cash & cash equivalents		4,113
(15,530)	Cash & cash equivalents at the beginning of the reporting period		(8,263)
(8,263)	Cash & cash equivalents at the end of the reporting period		(4,150)

NOTES TO THE ACCOUNTS

1 - ACCOUNTING POLICIES

a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2015/16 financial year and its position at the year-end of 31st March 2016. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations (England) 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2015/16 and the Service Reporting Code of Practice 2015/16, 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;
- Materiality;
- 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
- Primacy of legislative requirements

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

b) ACCRUALS OF INCOME & EXPENDITURE

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

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

transaction will flow to the Council.

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

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

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

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

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

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

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

c) CASH & CASH EQUIVALENTS

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

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

d) EXCEPTIONAL ITEMS

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

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

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

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

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

f) CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

- Amortisation of intangible non-current assets attributable to the service

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

g) EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employee Benefits

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

- The liabilities of the KCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be

made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.

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

In relation to retirement benefits, statutory provisions require the General Fund balance to be charged with the amount payable by the Council to the pension

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

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

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

Discretionary Benefits

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

h) EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

i) FINANCIAL INSTRUMENTS

Financial Liabilities:

Financial Liabilities are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are

initially measured at fair value and are carried at their amortised cost. Interest is charged to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement.

Financial Assets:

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

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

Loans & Receivables:

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

Available-for-sale assets:

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

j) GOVERNMENT GRANTS & CONTRIBUTIONS

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

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

Amounts recognised as due to the Council are not credited to the Comprehensive Income & Expenditure Statement until conditions attached to the grant or

contribution have been satisfied. Conditions are stipulations that specify that the future economic benefits or service potential embodied in the asset acquired using the grant or condition are required to be consumed by the recipient as specified, or future economic benefits or service potential must be returned to the transferor.

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

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

k) HERITAGE ASSETS

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

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 highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and

an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

m) LEASES

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

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

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

n) OVERHEADS & SUPPORT SERVICES

The costs of support services and overheads are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2015/16. 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 2015/16 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

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

Measurement

Assets are initially measured at cost, comprising:

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

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

- Infrastructure, Community Assets and Assets Under Construction - Depreciated Historical Cost
- All other assets – 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 have short useful lives or low values (or both), depreciated historical cost basis is used as a proxy for fair value.

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)

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

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

Component Accounting

Componentisation is applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1st April 2010.

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.

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

s) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

t) VALUE ADDED TAX

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

u) MINIMUM REVENUE PROVISION

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

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

v) ACCOUNTING PRACTICE FOR COUNCIL TAX AND BUSINESS RATES

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

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

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

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

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

v) FAIR VALUE MEASUREMENT

The Council measures some of its assets and liabilities at fair value at the end of the reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either:

- a) in the principal market for the asset or liability, or
- b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The Council uses external Valuers to provide a valuation of its assets and liabilities in line with the highest and best use definition within the accounting standard. The highest and best use of the asset or liability being valued is considered from the perspective of a market participant.

Inputs to the valuation techniques in respect of the Council's fair value measurement of its assets and liabilities are categorised within the fair value hierarchy as follows:

Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities that the authority can access at the measurement date.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

2 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- A comprehensive review of all property leases has been undertaken to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.
- The value of the Council's Property, Plant and Equipment is reviewed at year-end to ensure that it is materially correct. Formal valuations are undertaken for a proportion of the assets on an annual basis, and a review of the remainder of the portfolio is undertaken to determine whether or not there may have been any material changes.

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

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

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

The items in the Council's Balance Sheet at 31st March 2016 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 £0.4m 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 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £2.567m. 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 £4.752m.

Arrears

Uncertainties:

At 31st March 2016 the Council had a balance of sundry debtors for £12.163m. A review of significant balances suggested that a provision of doubtful debts for £2.579m was appropriate. There is uncertainty as to whether or not such an allowance is 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 £1.3m 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 £6.287m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £2.515m 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 £4.1m would be required overall, and the council's share of the provision would increase by £1.7m.

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

The Code of Practice on Local Authority Accounting in the United Kingdom (the Code) requires the disclosure of information relating to the expected impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This applies to the adoption of the following new or amended standards within the 2016/17 Code:

IAS 1 Presentation of Financial Statements. This standard provides guidance on the form of the financial statements. The 'Telling the Story' review of the presentation of the Local Authority financial statements as well as the December 2014 changes to IAS 1 under the International Accounting Standards Board (IASB) Disclosure Initiative will result in changes to the format of the accounts in 2016/17. The format of the Comprehensive Income and Expenditure Statement and the Movement in Reserves Statement will change and introduce a new Expenditure and Funding Analysis.

Other minor changes due to Annual Improvement to IFRSs cycles, IFRS11 Joint arrangements, IAS 16 Property Plant, Equipment and IAS 38 Intangible Assets and IAS 19 Employee Benefits are minor and are not expected to have a material effect on the Council's Statement of Accounts.

The Code requires implementation from 1 April 2016 and there is therefore no impact on the 2015/16 Statement of Accounts.

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.

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2014/15				2015/16			
General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account							
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:							
2,797			2,797	3,324			3,324
1,963			1,963	(80)			(80)
(737)			(737)	(345)			(345)
231			231	195			195
(619)		(702)	(1,321)	(872)			(872)
1,619			1,619	911			911
163			163	112			112
(1,126)			(1,126)	(852)			(852)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement							
(640)			(640)	(607)			(607)
(2,923)			(2,923)	(2,978)			(2,978)
Adjustments primarily involving the Capital Grants Unapplied Account							
(37)		37	0	(30)		30	(0)
Adjustments primarily involving the Capital Receipts Reserve							
1	1,123		1,124		853		853
	(1,156)		(1,156)		(686)		(686)
Adjustments primarily involving the Pensions Reserve							
5,417			5,417	2,756			2,756
(3,200)			(3,200)				0
Adjustments primarily involving the Collection Fund Adjustment Account							
(1,152)			(1,152)	3,622			3,622
Adjustments primarily involving the Financial Instruments Adjustment Account							
(84)			(84)	84			84
Adjustments primarily involving the Accumulated Absences Account							
3			3	(4)			(4)
1,678	(33)	(665)	979	5,236	167	30	5,433
Total Adjustments							

6 - MATERIAL ITEMS OF INCOME & EXPENSE

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

7 - OTHER OPERATING EXPENDITURE

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

	2014/15	2015/16
	£000	£000
Parish Council precepts	1,288	1,394
Levies	106	109
Gains/losses on the disposal of non-current assets	(1,118)	(848)
	277	655

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.

	2014/15	2015/16
	£000	£000
Interest payable and similar charges	210	206
Net Interest on the Net Defined Benefit Liability	2,418	2,281
Interest receivable and similar income	(209)	(252)
Income & Expenditure in relation to investment properties and changes in their fair value	(1,261)	(969)
	1,159	1,266

9 - TAXATION & NON-SPECIFIC GRANT INCOMES

This note consolidates all the grants and contributions receivable, including those 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.

Credited to Taxation & Non Specific Grant Income	2014/15 £000	2015/16 £000
Council tax income	14,647	14,995
Revenue Support Grant	3,275	2,267
Income from Retained Business Rates	22,427	21,444
Tariff Payable	(19,125)	(19,492)
Levy Payable	(510)	(43)
Non-ringfenced Government Grants	3,905	4,943
Total	24,621	24,114
Credited to Services		
Housing Benefit Subsidy	46,871	47,404
Non-Domestic Rates - Cost of Collection	208	206
Council Tax Administration	175	188
New Legislation	250	162
Other Grants	564	182
Total	48,069	48,142

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 Policy & Resources Committee on the basis of budget reports analysed across Service Committees.

The income and expenditure of the individual Service Committees recorded in budget reports is as follows:

Service Committee Income & Expenditure 2015/16	Policy & Resources £000	Strategic Planning, Sustainability & Transportation £000	Communities, Housing & Environment £000	Heritage, Culture & Leisure £000	Total £000
Fees, charges & other service income	(3,588)	(6,630)	(2,831)	(3,091)	(16,140)
Government Grants	(48,031)	(5)	(106)	0	(48,142)
Total income	(51,619)	(6,635)	(2,937)	(3,091)	(64,282)
Employee expenses	9,327	3,694	5,067	1,479	19,567
Other service expenses	54,944	3,690	9,050	5,020	72,704
Support service recharges	(5,784)	1,050	(1,337)	1,947	(4,124)
Total expenditure	58,487	8,434	12,780	8,446	88,147
Net Expenditure	6,868	1,799	9,843	5,355	23,865

Service Committee Income & Expenditure 2014/15	Policy & Resources £000	Strategic Planning, Sustainability & Transportation £000	Communities, Housing & Environment £000	Heritage, Culture & Leisure £000	Total £000
Fees, charges & other service income	(3,320)	(6,073)	(2,651)	(2,903)	(14,947)
Government Grants	(47,624)	(65)	(66)	0	(47,755)
Total income	(50,945)	(6,138)	(2,717)	(2,903)	(62,702)
Employee expenses	9,001	2,897	4,786	1,281	17,965
Other service expenses	54,465	3,658	8,937	4,942	72,002
Support service recharges	(5,845)	2,567	(896)	1,917	(2,257)
Total expenditure	57,621	9,123	12,827	8,141	87,711
Net Expenditure	6,676	2,985	10,109	5,238	25,009

Reconciliation of Service Committee Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

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

	2014/15 £000	2015/16 £000
Net Expenditure in Service Committee Analysis	25,009	23,865
Amounts reported below the line on the Net Cost of Services	0	0
Cost of services in Comprehensive Income & Expenditure Statement	25,009	23,865

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.

There are no costs excluded from budget and outturn figures reported to Service Committees.

2015/16	Service Committee analysis	Corporate Amounts	Total
	£000	£000	£000
Fees, charges & other service income	(16,139)		(16,139)
Interest & investment income	0	(252)	(252)
Income from council tax	0	(14,995)	(14,995)
Government grants and contributions	(48,142)	(9,118)	(57,260)
Total Income	(64,281)	(24,365)	(88,646)
Employee expenses	19,565	2,282	21,847
Other service expenses	72,704	(969)	71,735
Support Service recharges	(4,124)		(4,124)
Interest Payments	0	206	206
Precepts & Levies	0	1,503	1,503
Gain or Loss on Disposal of Fixed Assets	0	(848)	(848)
Total Expenditure	88,145	2,173	90,318
Surplus or deficit on the provision of services	23,864	(22,192)	1,672

2014/15	Service Committee analysis	Corporate Amounts	Total
	£000	£000	£000
Fees, charges & other service income	(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)	(11,165)	(58,920)
Total Income	(62,702)	(25,529)	(88,231)
Employee expenses	17,964	2,417	20,381
Other service expenses	78,760	(559)	78,201
Support Service recharges	(9,014)		(9,014)
Depreciation, amortisation and impairment	0		0
Interest Payments	0		0
Precepts & Levies	0	210	210
Payments to Housing Capital Receipts Pool	0	1,395	1,395
Gain or Loss on Disposal of Fixed Assets	0	(1,118)	(1,118)
Total Expenditure	87,710	2,345	90,055
Surplus or deficit on the provision of services	25,009	(23,184)	1,824

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	2014/15	2015/16		(Surplus)/
	(Surplus)/ Deficit £000	Income £000	Expenditure £000	Deficit £000
Market	50	(324)	435	111
Parkwood Industrial Estate	(364)	(338)	22	(316)
Pay & Display Car Parking	(1,178)	(1,845)	565	(1,280)
On-Street Car Parking	(206)	(731)	550	(181)
Direct Services	66	(1,991)	2,003	12
Net (Surplus)/Deficit	(1,632)	(5,229)	3,575	(1,654)

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2015/16 totalled £340,867, (£384,382 in 2014/15).

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:

2015/16	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	114	12	126	17	143
Head of Finance & Resources	74	8	82	10	92
Head of Policy & Communications	75	3	78	10	88
Director of Environment & Shared Services	63	2	65	8	73
Director of Regeneration & Communities	34	6	40	5	45

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.

In addition to the above the Council made interim appointments to the post of Director of Regeneration & Place to replace the Director of Regeneration & Communities following her departure in August 2015. This post was filled by two individuals and payments totalling £87,950 were made.

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	2015/16 No. of employees	2014/15 No. of employees
£50,000 - £54,999	5	4
£55,000 - £59,999	5	1
£60,000 - £64,999	1	3
£65,000 - £69,999	0	4
£70,000 - £74,999	3	2
£75,000 - £79,999	3	1
£80,000 - £84,999	1	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2014/15	2015/16	2014/15	2015/16	2014/15	2015/16	2014/15 £000	2015/16 £000
£0 - £20,000	0	0	8	16	8	16	81	88
£20,001 - £40,000	0	0	1	0	1	0	25	0
£40,001 - £60,000	0	0	0	1	0	1	0	46
£60,001 - £80,000	0	0	1	0	1	0	65	0
£80,001 - £100,000	0	0	0	1	0	1	0	98
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	0	0	10	18	10	18	172	232

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.

	2014/15 £000	2015/16 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	67	51
Fees payable for the certification of grant claims and returns during the year	14	14
Non-audit Services	0	6
Total	81	71

15 – CAPITAL GRANTS RECEIPTS IN ADVANCE

The Council has received a number of grants, contributions and donations that have yet to be recognised as income as they have conditions attached to them that will require the monies or property to be returned to the giver. The balances at the year-end are as follows:

	31st March 2015 £000	31st March 2016 £000
Capital Grants Receipts in Advance		
Section 106 Contributions	1,861	2,451
Other Contributions	312	234
Total	2,173	2,685

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 2015/16 is shown in Note 12.

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

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

Movements in 2015/16	Infrastructure Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations								
At 1st April 2015	3,997	44,553	12,156	1,523	4,371	3,092	23	69,715
Additions	16	188	783	529	305	50	2,049	3,920
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	209	0	0	0	0	0	209
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	118	0	0	0	0	0	118
Transfers between categories	0	0	28	0	0	0	(28)	0
Other movements in cost or valuation	(5)	(74)	0	0	0	0	(12)	(91)
At 31st March 2016	4,008	44,994	12,967	2,052	4,675	3,142	2,032	73,870
Accumulated Depreciation & Impairment								
At 1st April 2015	(2,636)	(2,343)	(4,908)	(1,166)	(2,335)	0	0	(13,389)
Depreciation charge	(202)	(1,736)	(799)	(268)	(319)	0	0	(3,324)
Depreciation written out to the Revaluation Reserve	0	788	0	0	0	0	0	788
Transfers between categories	0	0	(4)	0	4	0	0	0
Other movements in cost or valuation	12	(75)	0	0	0	0	0	(63)
At 31st March 2016	(2,826)	(3,366)	(5,711)	(1,434)	(2,651)	0	0	(15,988)
Net Book Value								
At 31st March 2016	1,182	41,628	7,256	618	2,024	3,142	2,032	57,882
At 31st March 2015	1,360	42,211	7,245	357	2,034	3,092	23	56,326

Movements in 2014/15	Infrastructure Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuations								
At 1st April 2014	3,997	45,112	11,998	1,239	4,283	3,080	1,261	70,970
Additions	4	611	158	284	88	12	22	1,179
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(307)	0	0	0	0	0	(307)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,963)	0	0	0	0	0	(1,963)
Transfers between categories	0	1,250	0	0	0	0	(1,250)	0
Other movements in cost or valuation	(4)	(150)	0	0	0	0	(10)	(164)
At 31st March 2015	3,997	44,553	12,156	1,523	4,371	3,092	23	69,715
Accumulated Depreciation & Impairment								
At 1st April 2014	(2,435)	(1,594)	(4,150)	(927)	(2,049)	0	0	(11,155)
Depreciation charge	(201)	(1,312)	(758)	(239)	(287)	0	0	(2,797)
Depreciation written out to the Revaluation Reserve	0	563	0	0	0	0	0	563
At 31st March 2015	(2,636)	(2,343)	(4,910)	(1,166)	(2,336)	0	0	(13,389)
Net Book Value								
At 31st March 2015	1,360	42,211	7,245	357	2,034	3,092	23	56,326

As Land & Buildings form the most significant element of Property, Plant & Equipment a more detailed analysis of the assets is shown in the table below, sub-totalled by asset class.

Analysis of Land & Buildings Movements 2015/16	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations														
At 1st April 2015	6,568	1,570	1,729	2,864	1,461	196	8,070	1,050	13,586	543	1,705	4,078	1,133	44,552
Additions	104	23	49					14						190
Revaluation increases/(decreases) recognised in the Revaluation Reserve		(210)							375	40				205
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		78							40					118
Other movements in cost or valuation	(6)	(23)	(29)					(14)						(72)
At 31st March 2016	6,666	1,438	1,749	2,864	1,462	197	8,070	1,050	14,001	583	1,705	4,078	1,133	44,994
Accumulated Depreciation & Impairment														
At 1st April 2015	54	(270)	(12)	(316)	(146)	0	(379)	(43)	(513)	(33)	(467)	(140)	(78)	(2,342)
Depreciation charge		(68)	(22)	(162)	(146)		(379)	(21)	(667)	(40)	(123)	(70)	(39)	(1,736)
Depreciation written out to the Revaluation Reserve		264							513	11				788
Other movements in cost or valuation	(44)	7				(39)								(76)
At 31st March 2016	10	(68)	(34)	(477)	(292)	(39)	(758)	(64)	(667)	(62)	(590)	(210)	(117)	(3,366)
Net Book Value														
At 31st March 2016	6,676	1,370	1,714	2,387	1,170	158	7,312	986	13,334	521	1,115	3,869	1,015	41,628
At 31st March 2015	6,622	1,300	1,717	2,548	0	196	7,691	1,007	13,073	510	1,238	3,938	1,055	40,895

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 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 major capital projects as at 31st March 2016.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out externally by Harrison's Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 1st April 2015 in accordance with the requirements of the Code of Practice, and are considered to be materially accurate at the Balance Sheet date.

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

	Infrastructure Assets	Community Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	4,012	3,142	848	12,968	2,052	4,674	2,028	29,724
Valued at fair value as at:								
31st March 2012			588					588
31st March 2013			769					769
31st March 2014			11,231					11,231
31st March 2015			15,978					15,978
31st March 2016			15,577					15,577
Total Cost or Valuation	4,012	3,142	44,991	12,968	2,052	4,674	2,028	73,868

18 - INVESTMENT PROPERTIES

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

	2014/15 £000	2015/16 £000
Balance at start of the year	12,727	15,962
Additions:		
Additions	2,498	2
Net gains/losses from fair value adjustments	737	345
Balance at end of year	15,962	16,309

19 – HERITAGE ASSETS: 5 YEAR SUMMARY OF TRANSACTIONS

	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £000	2015/16 £001
Balance Brought Forward	10,279	10,279	10,334	10,363	10,384
Acquisitions		55	29	21	
Disposals					
Balance Carried Forward	10,279	10,334	10,363	10,384	10,384

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

Cost or Valuation	Museum Exhibits £000	War Memorials £000	Statues & Sculptures £000	Other Items £000	Total Assets £000
1st April 2015	9,090	471	515	308	10,384
Additions					0
31st March 2016	9,090	471	515	308	10,384
1st April 2014	9,090	450	515	308	10,363
Additions		21			21
31st March 2015	9,090	471	515	308	10,384

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/>

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

War Memorials

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

Statues and Sculptures

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

Other Items

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

Listed Buildings and Other Heritage Assets

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

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

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 2015 £000	31st March 2016 £000	31st March 2015 £000	31st March 2016 £000
Investments				
Loans & receivables	5,000	0	11,180	18,150
Available-for-sale financial assets	11	0	5,084	0
	<u>5,011</u>	<u>0</u>	<u>16,264</u>	<u>18,150</u>
Debtors				
Loans & receivables	28	24	7,539	8,525
Creditors				
Financial liabilities at amortised cost	0	0	3,210	4,844
Other Long Term Liabilities				
Finance Lease Liabilities at amortised cost	1,177	898	457	629

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 2015 £000	31st March 2016 £000	31st March 2015 £000	31st March 2016 £000
Income:	0	0	0	0
Loans & Receivables	28	0	101	235
Available-for-sale Financial Assets	0	0	76	15
Other Interest	0	0	3	2
Total	<u>28</u>	<u>0</u>	<u>180</u>	<u>252</u>

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 Specialist Finance Manager in Treasury, Insurance & VAT, under policies approved by the Council on 25 February 2015 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 2015/16 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 a requirement of CIPFA's Treasury Management Code of Practice, which has been adopted by the Council. Treasury Management indicators have also been set to control key financial instruments risks in accordance with CIPFA's Prudential Code. The Treasury Management Practices can also be viewed on the Council's website, at the above link.

Treasury Management Strategy 2015/16

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

- Invest up to £3m of core cash for over 1 year if rates were to improve. Possibility of using property funds;
- Include overseas institutions within the Council's counterparty list who are on Council's advisor's, Capita, credit quality list and who's sovereignty rating is the same or better than the UK;
- All other investments short term (less than 1 year);
- A provision to borrow £6m if it becomes necessary to fund the capital programme.

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 the Council’s Treasury Advisors Capita Asset Services/Arlingclose (from 1st January 2016). 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.

Arlingclose examine the bail-in risk which determines the level of loss an institution would need to incur before the Council’s investments would be affected.

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

As at 31st March 2016 investments were held with the following institutions:

	31st March 2015 £000	31st March 2016 £000
AAA rated Institutions	8,064	2,640
AA rated Institutions	42	3,042
A rated Institutions	11,000	11,000
BBB+ rated Institutions	0	2,000
Unrated Building Societies	2,000	0
UK Government	11	0
Total	21,117	18,682

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. A borrowing provision of £4m exists for short term 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 (£6m for capital programme) to fund on-going schemes in the event of projected capital receipts not being realised. This was not needed during the year.

Refinancing and Maturity Risk

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

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

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

Market Risk – Interest Rate Risk

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

	31st March 2015 £000	31st March 2016 £000
Call Accounts/Money Market Funds	5,022	2,682
Receivables	11,000	16,000
Available-for-Sale Financial Assets	5,095	0
Total	21,117	18,682

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

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

Foreign Exchange Risk

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

23 – DEBTORS

Short Term Debtors

	2014/15 £000	2015/16 £000
Central government bodies	568	2,038
Other local authorities	89	2,208
Other entities and individuals	11,220	12,163
Total	11,877	16,409

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.

Provision for Bad Debts

Short Term Debtors and Provision for Bad Debts Total

	2014/15 £000	2015/16 £000
Excess Charges Provision	424	445
Sundry Bad Debts Provision	2,889	3,029
Total	3,313	3,474

The figure on the balance sheet reflects Debtors less Provision for Bad Debts, which totals £13.385m

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

	2014/15 £000	2015/16 £000
Council Tax payers	782	826
Business Rate payers	1,429	1,300
Capital debtors	648	236
General debtors	7,104	8,290
Payments in Advance	608	777
Other miscellaneous amounts	649	734
Total	11,220	12,163

24 - CASH & CASH EQUIVALENTS

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

	2014/15 £000	2015/16 £000
Cash held by the Council	12	17
Bank current accounts	146	(549)
Short-term deposits	8,106	4,682
Total	8,264	4,150

25 – CREDITORS

Short Term

	2014/15 £000	2015/16 £000
Central government bodies	2,812	1,353
Other local authorities	2,279	2,919
Other entities and individuals	4,948	5,048
Total	10,039	9,320

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:

	2014/15	2015/16
	£000	£000
General creditors	2,297	2,329
Capital creditors	132	179
Council tax payers	167	187
Business Rate payers	516	0
Receipts in advance	1,055	975
Deposits	727	1,164
Retentions	54	214
Total	4,948	5,048

26 - PROVISIONS

Provision for Business Rates Appeals

	2014/15	2015/16
	£000	£000
Business Rates Appeals - Current	326	584
Business Rates Appeals - Backdated	742	1,931
Total	1,068	2,515

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.

The assets and liabilities of the Trust as at 31st March 2016 are summarised in the following table. The figures for 2014/15 are the audited figures, which differ from those in the 2014/15 Statement of Accounts, as the audit took place after that was published.

	2014/15	2015/16
	£000	£000
Fixed Assets:		
Cobtree Golf Course	1,050	972
Cobtree Manor Park Play Area	737	737
Cobtree Manor Park Café/Visitor Centre	1,012	225
Kent Life Attraction	725	725
Investments	1,212	1,134
	4,736	3,793
Current Assets	723	378
Current Liabilities	491	577
Total assets less current liabilities	4,968	3,594
Total Charitable Funds	4,968	3,594

Gross expenditure in 2015/16 totalled £926,445 (£563,485 in 2014/15). Gross income in 2015/16 totalled £791,865 (£702,904 in 2014/15).

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

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 2015/16) 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

	2014/15 £000	2015/16 £000
Balance outstanding at start of year	2,124	1,634
Adjustments	0	500
Repayment of principal	(490)	(607)
Balance outstanding at end of year	1,634	1,527

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 2015 £000	31st March 2016 £000
Balance at 1st April	187	154
Capital Receipts Received	1,122	857
Capital Receipts Applied	(1,155)	(686)
Balance at 31st March	154	325

30 – EARMARKED RESERVES

Within the General Fund balance of £18.764m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2015 £000	Contributions to/from Balances £000	31st March 2016 £000
New Homes Bonus funding for Capital	9,812	1,591	11,403
Local Plan	353	101	455
Neighbourhood Planning	107	(43)	64
Trading Accounts	179	0	179
Business Rates Growth	336	(103)	233
Total Earmarked Reserves	10,787	1,546	12,334
Unallocated Balances	4,498	2,016	6,514
Total General Fund Balance	15,285	3,562	18,848

Description of Earmarked Reserves:

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

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

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

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

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

31 - UNUSABLE RESERVES

	31st March 2015 £000	31st March 2016 £000
Revaluation Reserve	25,547	26,551
Capital Adjustment Account	56,258	57,275
Deferred Capital Receipts Reserve	27	23
Pensions Reserve	(70,680)	(64,641)
Collection Fund Adjustment Account	667	(2,957)
Accumulated Absences Account	(181)	(176)
Financial Instruments Adjustment Account	83	0
Total Unusable Reserves	11,721	16,075

a) Revaluation Reserve

The Revaluation Reserve contains the gains made by the Council arising from increases in the value of its Property, Plant & Equipment. The balance is reduced when assets with accumulated gains are:

- Revalued downwards or impaired and the gains are lost
- used in the provision of services and the gains are consumed through depreciation, or
- disposed of and the gains are realised.

The Reserve contains only the revaluation gains accumulated since 1st April 2007, the date that the Reserve was created. Accumulated gains arising before that date are consolidated into the balance on the Capital Adjustment Account.

	31st March 2015 £000	31st March 2016 £000
Balance at 1st April	25,326	25,547
Upward revaluation of assets	2,103	1,052
Downward revaluation of assets	(1,847)	(61)
Disposals		36
Difference between fair value depreciation and historical cost depreciation	(36)	(23)
Balance at 31st March	25,547	26,551

b) Capital Adjustment Account

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

The Account contains accumulated gains and losses on Investment Properties that have yet to be consumed by the Council.

The Account also contains revaluation gains accumulated on Property, Plant & Equipment before 1st April 2007, the date that the Revaluation Reserve was created to hold such gains.

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

	31st March 2015 £000	31st March 2016 £000
Balance at 1st April	56,220	56,258
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(2,797)	(3,324)
Amortisation of intangible assets	(231)	(195)
Prior Year Adjustments		(70)
Revaluation Gains/Losses on Property, Plant & Equipment	(1,963)	118
Revenue expenditure funded from capital under statute	(1,619)	(911)
Write-off of non-enhancing capital expenditure	(163)	(112)
	(6,775)	(4,494)
Adjusting amounts written out of the Revaluation Reserve	36	23
Net written out amount of the cost of non-current assets consumed in the year	(6,737)	(4,471)
Capital financing applied in the year:		
Sums set aside for Debt Repayment	638	607
Use of the Capital Receipts Reserve to finance new capital expenditure	1,156	686
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,321	872
Application of grants to capital financing from the Capital Grants Unapplied Account		
Capital expenditure charged against the General Fund balance	2,923	2,978
	6,038	5,143
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	737	345
Balance at 31st March	56,258	57,275

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.

	2014/15	2015/16
	£000	£000
Opening balance at 1 April	56,476	70,680
Remeasurements of the net defined liability	11,987	(8,797)
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	5,417	6,148
Employer's pensions contributions	(3,200)	(3,390)
Closing balance at 31 March	70,680	64,641

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

d) Collection Fund Adjustment Account

	31st March 2014 £000	31st March 2015 £000
Balance at 1st April	(486)	666
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements		
- Council Tax	108	(130)
- Non-domestic Rates	1,044	(3,493)
Balance at 31st March	666	(2,957)

The Collection Fund Adjustment Account manages the differences arising from the recognition of council tax and non-domestic rates income in the Comprehensive Income and Expenditure Statement as it falls due from council tax payers and business rates payers compared with the statutory arrangements for paying across amounts to the General Fund from the Collection Fund.

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.

	2014/15 £000	2015/16 £000
Capital Investment		
Property, Plant & Equipment	1,017	3,307
Heritage Assets	21	0
Investment Properties	2,499	1
Intangible Assets	103	206
Non-enhancing capital expenditure	163	112
Revenue Expenditure Funded from Capital Under Statute	1,597	911
	5,400	4,536
Sources of Finance		
Capital receipts	1,156	686
Government grants & other contributions	1,321	872
Direct Revenue Contributions	2,923	2,978
	5,400	4,536

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:

	2014/15 £000	2015/16 £000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	2,858	3,593
- Past service costs including curtailments	141	274
- (Gain)/loss from settlements	0	0
Financing and Investment Income & Expenditure:		
- Net interest expense	2,418	2,281
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,417	6,148
Other Post Employment Benefit Charged to the CI&ES		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in net interest expense)	5,298	(1,989)
- Actuarial gains and losses arising on changes in financial assumptions	(17,436)	10,767
- Actuarial gains and losses arising on changes in demographic assumptions	0	0
- Experience gains and losses on defined benefit obligation	151	19
- Other actuarial gains and losses	0	0
Total Post Employment Benefit Charged to the CI&ES	(6,570)	14,945
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	5,417	6,148
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,200)	(3,390)

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 additional benefits relative to those reserved for under IAS19 is calculated at £274,000 (2014/15 £45,000).

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 (2014/15 £nil).

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2014/15 £000	2015/16 £000
Present value of funded obligation	155,811	149,896
Fair value of plan assets	87,531	87,447
Contributions by scheme participants	68,280	62,449
Present value of unfunded obligation	2,400	2,192
Net liability arising from defined benefit obligation	70,680	64,641

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

	2014/15 £000	2015/16 £000
Opening fair value of Scheme assets	79,694	87,531
Interest on assets	3,486	2,873
Return on assets less interest	5,358	(1,929)
Administration expenses	(60)	(60)
Contributions by employer including unfunded	3,200	3,390
Contributions paid by scheme participants	782	785
Estimated benefits paid plus unfunded net of transfers in	(4,929)	(5,143)
Closing fair value of Scheme assets	87,531	87,447

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

	2014/15 £000	2015/16 £000
Opening balance at 1 April	136,170	158,211
Current Service cost	2,858	3,593
Interest cost	5,904	5,154
Remeasurement (gains) and losses		
- Change in financial assumptions	17,436	(10,767)
- Experience loss/(gain) on defined benefit	(151)	(19)
Past service costs, including curtailments	141	274
Estimated benefits paid net of transfers in	(4,733)	(4,961)
Contributions by Scheme participants	782	785
Unfunded pension payments	(196)	(182)
Closing balance at 31 March	158,211	152,088

Local Government Pension Scheme Assets

	31st March 2015		31st March 2016	
	£000	%	£000	%
Equities	59,819	68.3%	58,315	66.7%
Gilts	915	1.0%	775	0.9%
Other Bonds	9,736	11.1%	9,602	11.0%
Property	10,873	12.4%	12,703	14.5%
Cash	2,393	2.7%	2,252	2.6%
Target Return				
Portfolio	3,795	4.3%	3,800	4.3%
Total	87,531	100.0%	87,447	100.0%

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

	2014/15	2015/16
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	22.8	22.9
- Women	25.2	25.3
Longevity at 65 for future pensioners		
- Men	25.1	25.2
- Women	27.6	27.7
Financial Assumptions		
RPI increases	3.2%	3.2%
CPI increases	2.4%	2.3%
Salary increases	4.2%	4.1%
Pension increases	2.4%	2.3%
Discount Rate	3.3%	3.6%

Sensitivity Analysis

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

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	149,521	152,088	154,703
- Projected Service Cost	3,123	3,198	3,275
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	152,357	152,088	151,821
- Projected Service Cost	3,200	3,198	3,196
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	154,465	152,088	149,753
- Projected Service Cost	3,274	3,198	3,124
Adjustment to mortality age rating	+1 Year	None	-1 Year
- Present Value of Total Obligation	156,840	152,088	147,486
- Projected Service Cost	3,280	3,198	3,118

Scheme History

	2011/12	2012/13	2013/14	2014/15	2015/16
	£000	£000	£000	£000	£000
Present value of assets in the Local Government Pension Scheme	69,969	78,152	79,694	87,531	87,447
Fair value of assets in the Local Government Pension Scheme	116,535	127,137	136,170	158,211	152,088
Surplus/(Deficit) in the scheme	(46,566)	(48,985)	(56,476)	(70,680)	(64,641)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £64.641m has a substantial impact on the net worth of the Council as recorded in the Balance Sheet. However, statutory arrangements for funding the deficit mean that the financial position of the Council remains healthy. The deficit on the local government scheme will be made good by increased contributions over the remaining working life of employees (i.e. before payments fall due), as assessed by the scheme actuary. The total contributions expected to be made to the Local Government Pension Scheme by the Council in the year to 31st March 2017 are £3.119m.

34 – LEASES

Finance Leases – Council as Lessee

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

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

	31st March 2015 £000	31st March 2016 £000
Not more than 1 year	457	919
Later than 1 year and not later than 5 years	2,026	2,901
Later than 5 years	2,527	1,473
	5,010	5,293

35 - CONTINGENT LIABILITIES

The Council has made a provision for NDR 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.

36 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 30th June 2016. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31st March 2016 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

	2014/15	2015/16
	£000	£000
Depreciation	(2,797)	(3,324)
Revaluation Gains & Losses	(2,126)	118
Amortisation of Intangible Assets	(231)	(195)
Movement in Provisions	(305)	(2,336)
Movement in Creditors	1,608	72
Movement in Debtors	2,443	2,416
Movement in Inventories	(6)	(35)
Movement in Pension Liabilities	(2,440)	(2,758)
Other Non-Cash items	737	342
	(3,117)	(5,700)

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

	2014/15	2015/16
	£000	£000
Net adjustment from the sale of short and long term investments	(29)	5,000
Capital Grants credited to surplus or deficit on the provision of services	1,321	903
Proceeds from sale of Property, Plant & Equipment	1,125	848
	2,417	6,751

39 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2014/15	2015/16
	£000	£000
Interest received	(209)	(252)
Interest paid	211	205
	2	(47)

40 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2014/15 £000	2015/16 £000
Purchase of property, plant & equipment, investment property and intangible assets	3,780	3,870
Purchase of short-term and long-term investments	13,000	38,001
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,276)	(1,263)
Proceeds from short-term and long-term investments	(5,000)	(42,012)
Other receipts for investing activities (Grants)	(1,422)	(1,304)
Net cash flows from investing activities	9,082	(2,708)

41 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2014/15 £000	2015/16 £000
Other receipts from financing activities	0	(12)
Repayments of short & long-term borrowing	641	307
Other payments for financing activities	(3,580)	3,803
Net cash flows from financing activities	(2,939)	4,098

COLLECTION FUND STATEMENT & NOTES

2014/15		2015/16	
£000		£000	£000
INCOME			
87,563	Income From Council Tax		90,846
57,092	Income From Business Rates (Note 2)		58,608
79	Tranfers from General Fund		
144,735	Total Income		149,454
EXPENDITURE			
Precepts and Demands - Council Tax			
59,797	Kent County Council	63,371	
8,073	Kent Police & Crime Commissioner	8,555	
14,226	Maidstone Borough Council	15,126	
3,878	Kent Fire & Rescue Authority	<u>4,108</u>	91,160
Shares of Business Rates			
26,825	Central Government	31,171	
4,829	Kent County Council	5,611	
21,460	Maidstone Borough Council	24,937	
537	Kent Fire & Rescue Authority	<u>623</u>	62,342
305	Transitional Protection Payments - Business Rates		26
Impairment of Debts - Council Tax			
266	Write offs of uncollectable amounts	228	
284	Additional / (Reduced) Provision For Non Payment	<u>238</u>	466
Impairment of Debts/Appeals - Business Rates			
344	Write offs of uncollectable amounts	1,255	
374	Additional / (Reduced) Provision For Non Payment	(106)	
(2,697)	Losses on appeal	(1,055)	
2,490	Additional / (Reduced) Provision For Appeals	<u>4,671</u>	4,765
208	Cost of Collection Allowance - Business Rates		206
141,200	Total Expenditure		158,965
3,534	Surplus/(Deficit) For Year		(9,511)
(377)	Surplus/(Deficit) Brought Forward From Previous Years		3,157
2,544	Surplus/(Deficit) on Council Tax		1,764
613	Surplus/(Deficit) on Business Rates		(8,119)
3,157	Surplus/(Deficit) as at 31st March 2016		(6,355)

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 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: 56,803.5 for 2015/16 (55,675.1 for 2014/15) (see table below.) This basic amount of council tax for a Band D property, £1,543.50 for 2015/16, (£1,513.36 for 2014/15) 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)	1.10	5/9	0.6
Band A	2,931.60	6/9	1,954.4
Band B	6,621.10	7/9	5,149.7
Band C	14,739.00	8/9	13,101.3
Band D	14,577.90	9/9	14,577.9
Band E	7,696.20	11/9	9,406.5
Band F	4,424.60	13/9	6,391.2
Band G	3,280.80	15/9	5,468.0
Band H	278.30	18/9	556.7
Other			197.2
			56,803.5

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 2015/16, the business rate multiplier was 49.3p (48.2p in 2014/15) and the small business multiplier was 48.0p (47.1p in 2014/15). The rateable value at 31st March 2016 was £142.241m (£142.632m at 31st March 2015).

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 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 Fire & Rescue Authority (1%).

When the scheme was introduced, Central Government set a baseline level for each authority identifying the expected level of retained business rates and a top up or tariff amount to ensure that all authorities receive their baseline amount. Tariffs due from authorities payable to Central Government are used to finance the top ups to those authorities who do not achieve their targeted baseline funding. In this respect Maidstone made a tariff payment to the government of £19.41m in 2015/16 (£19.13m 2014/15). 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 2015/16, it was calculated that the Council would receive £22.45m in business rates (£22.18m 2014/15) but would make a tariff payment of £19.49m to the Government (£19.13m 2014/15). 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 remain fixed each year, but will increase in line with the Retail Price Index.

For 2015/16 Maidstone Borough Council participated in a pooled arrangement with Kent County Council, Kent Fire and Rescue Authority and nine other district councils in order to minimise the levy payment due to central government and thereby maximise 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.

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

Appendix A Annual Governance Statement

2015/16
To be inserted when
available