

# STATEMENT OF ACCOUNTS

for the year ending  
31st March 2017

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# NARRATIVE

# Report 2017





## About Maidstone

The borough of Maidstone is set in the heart of Kent, between the North Downs and the Weald. It has a population of 164,500, occupying a mix of rural and urban areas, and is 32 miles south-east of London and 32 miles from the Eurotunnel terminal at Folkestone.

The total area of the borough is 151 square miles. It includes Maidstone, the County Town of Kent, where around 70% of the population live, and many villages, with larger ones such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham being important local service centres.

The River Medway flows northwards through the borough on its route to Rochester and the Thames Estuary. The Rivers Teise and Beult join the Medway at Yalding, and the River Len joins further downstream at Maidstone. The area has some spectacular landscapes and has a rich historical heritage, with over 2,000 listed buildings.

With nearly 7,000 businesses, we have the largest economy in Kent and a lower than average unemployment rate. Agriculture remains an important industry, and there are new commercial developments including the Kent Medical Campus at junction 7 of the M20, which forms part of the North Kent Enterprise Zone. The council continues to plan for the future with investment in projects recently opened and planned totalling more than £300 million.

The Council faces a number of significant challenges over the next few years. The borough needs to accommodate housing and employment growth, which will put pressure on local infrastructure, whilst at the same time protecting its high quality environment. Public services generally face the challenges of constrained funding and increased service demands.

Maidstone Borough Council is a confident organisation, with a strong ambition to deliver our priorities. Building on our strengths – assets, knowledge and expertise and our track record for innovation and improvement - we are creating a financially sustainable future for our borough.

## Maidstone's Strategic Plan

Maidstone has a five year strategic plan covering the years 2015-20. This has been updated in 2016/17 and the council and has identified three areas for action:

- **A home for everyone**
- **A clean and safe environment**
- **Regenerating the town centre**

As a council our mission is to put people first. The three areas of focus will see action that respects our heritage and environment and ensures we continue to have an attractive borough. This year we will start to deliver a new housing and regeneration strategy which will focus on providing much needed sustainable housing for our residents across the borough and further investment in Maidstone town centre.

# Key achievements

Key achievements in 2016/17 have been:



## A home for everyone

- Our Local Plan will guide the future development of the borough. Following extensive local consultation, it was submitted to the Planning Inspectorate for examination in May 2016. Examination hearings ran from October 2016 to January 2017 and gave rise to a number of modifications in order that the Plan can be found sound. The Inspector is expected to conclude on the soundness of the plan and modifications in Summer 2017.
- The Council set up a property holding company, Maidstone Property Holdings Limited, in September 2016 to progress the acquisition, delivery and retention of housing through direct investment. Two major sites are being progressed in addition to smaller purchases that will support the Council's new temporary accommodation strategy. The Council is also working with housing providers to maximise the potential delivery of affordable housing, which should see an additional 200 plus homes provided this year.



## A clean and safe environment

- Over the past 5 years, Maidstone Borough Council has demonstrated its commitment to deliver cost effective and sustainable waste and recycling services. As a result our recycling rate has improved significantly. A food waste campaign was launched in February 2017 with "No Food Waste" stickers being attached to refuse bins, a school theatre workshop campaign and an animated video. The recycling rate is currently 52%.



## Regenerating the town centre

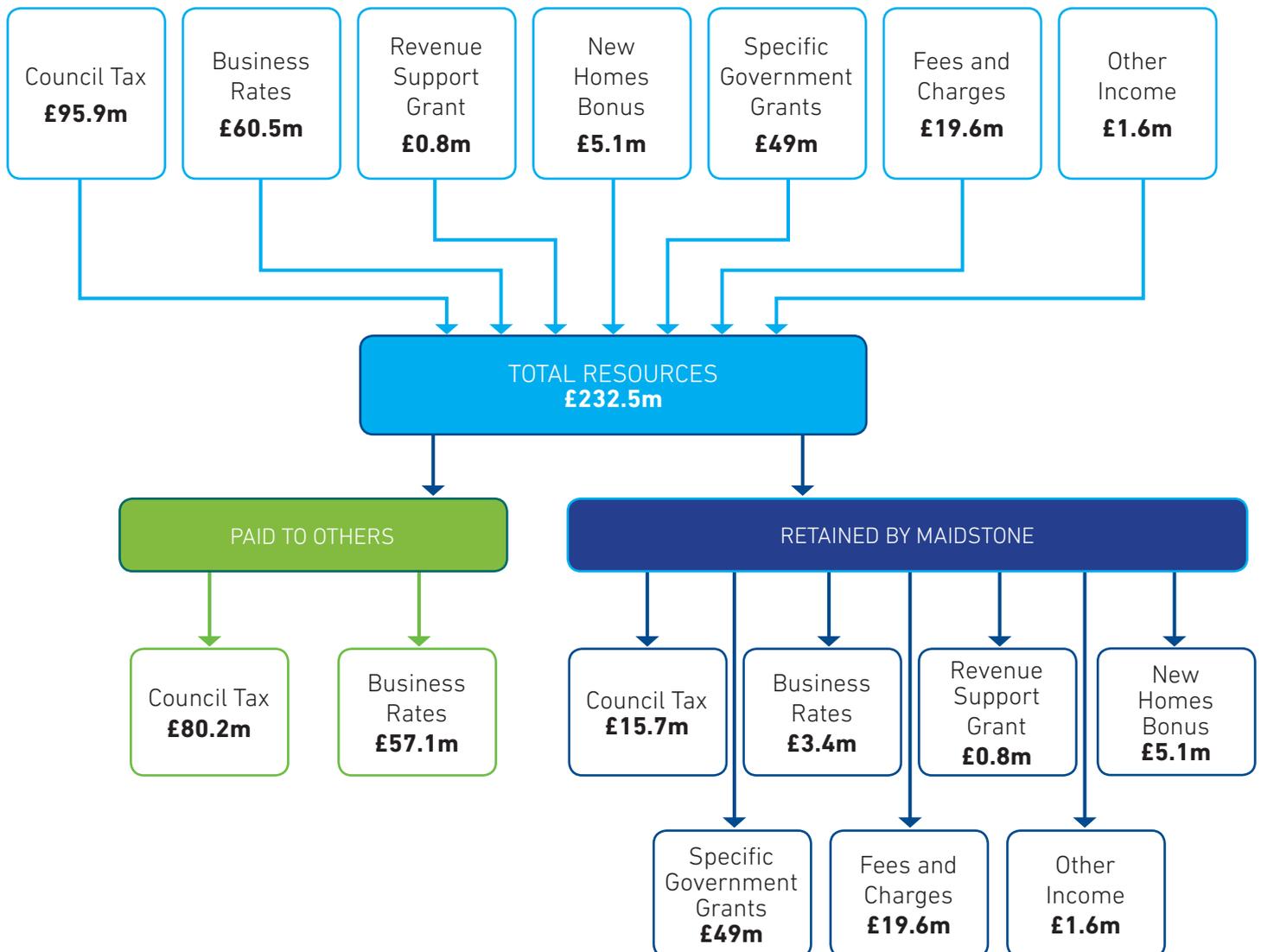
- Progress was made across a wide range of projects. The Council and Kent County Council jointly purchased the former Royal Mail Depot next to Maidstone East station. This is a key site for the town centre and the two Councils are now planning a landmark new mixed use development. The Maidstone bridges gyratory scheme and improvement works to the River Medway cycle path, both part-funded by the Council, were completed. Maidstone Borough Council is now planning to undertake additional public realm improvements to complement the work that has already taken place by upgrading Gabriel's Hill and Week Street.





## Financial Performance

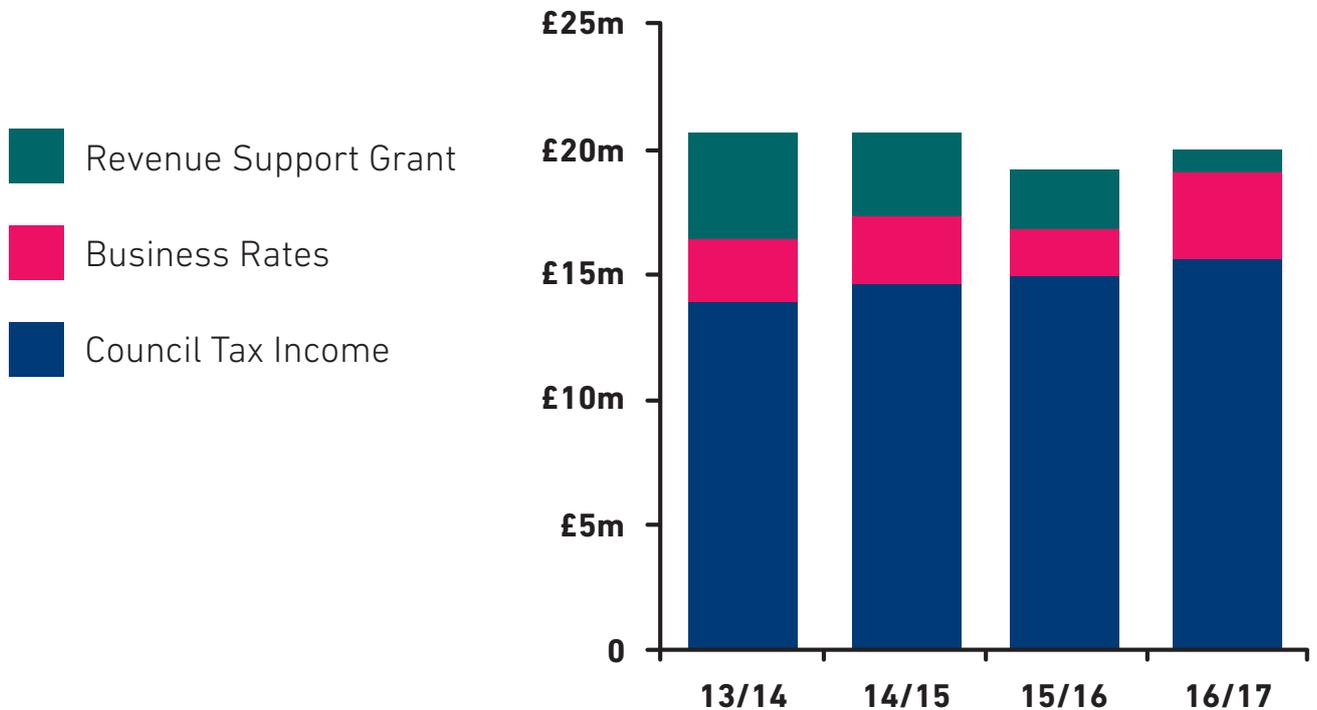
Maidstone Council's financial turnover, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £233 million in 2016/17 (£224 million in 2015/16). The table below shows the flows of income and expenditure.



## Income

An increasing proportion of the Council's income is generated locally in Maidstone, through a combination of Council Tax, our share of Business Rates, and Fees and Charges for the services that we provide. By contrast, the Revenue Support Grant from Central Government has fallen from £4.3 million in 2013/14 to £870,000 in 2016/17. It will be zero in 2017/18.

Business rates are increasingly important source of income, but are volatile. Income in 2015/16 was particularly low owing to the need to provide for appeals against business rates valuations.



Fees and Charges account for a further £19.6 million of the Council's income, excluding specific government grants. A new source of income in 2016/17 has come from the Mid Kent Enforcement service, which carries out debt collection previously undertaken by third party bailiffs both for the Council and for other authorities.

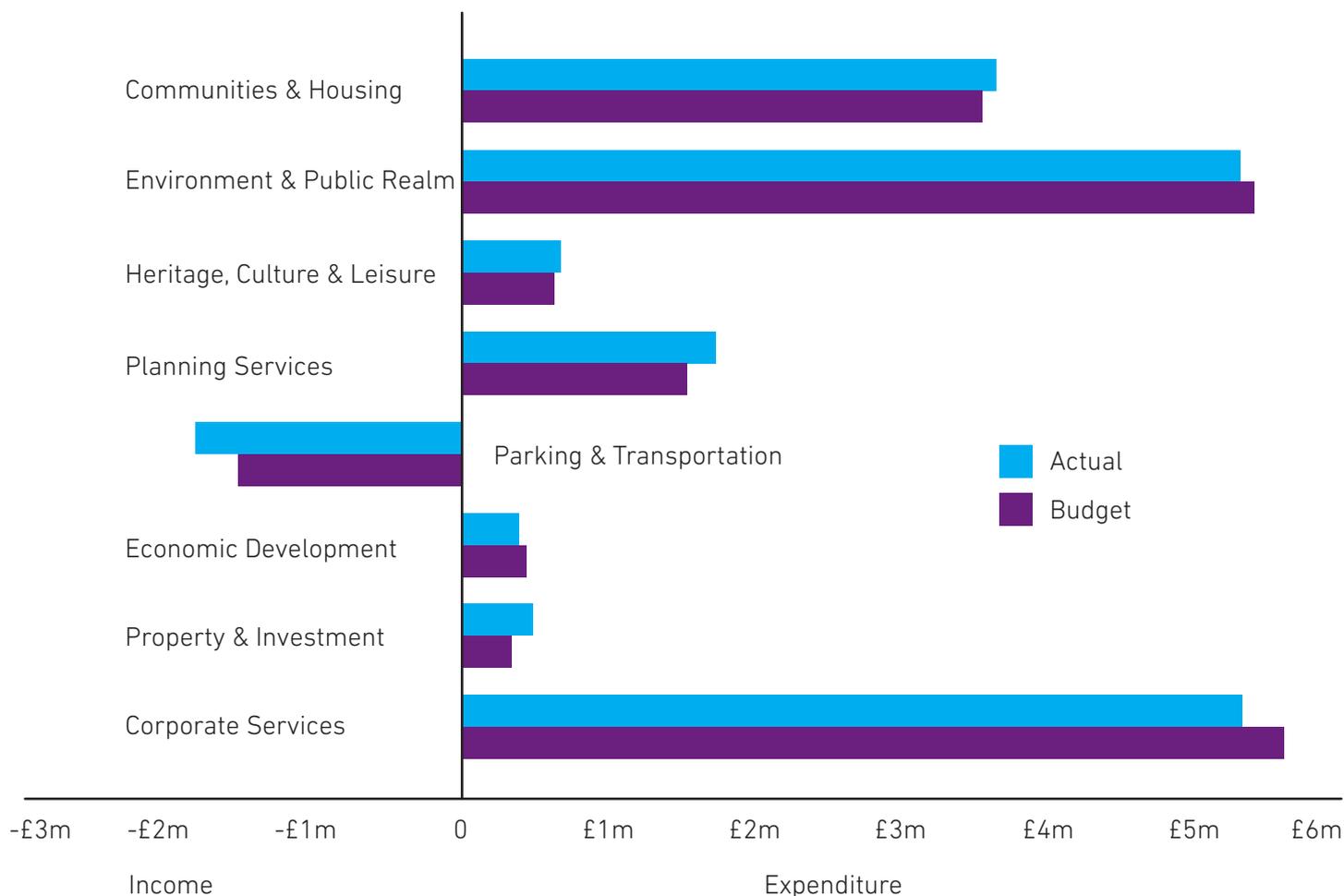


# Expenditure

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

Delivering expenditure in line with budget is likewise an important performance indicator. This objective was achieved overall in 2016/17, but there were areas of overspend which were offset by underspends elsewhere.

The outturn for the year was an overall underspend compared with the budget of £0.2m. Variances are detailed below:



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





## Balance Sheet

**The Balance Sheet** shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets fell from £35.4m to £22.7m, mainly because of the need to set aside a higher provision, shown under long term liabilities, for the cost of meeting our legal obligations to pay current and former employees' pensions.

2015/16 £000		2016/17 £000
57,882	Property, Plant & Equipment	64,222
10,384	Heritage Assets	10,384
16,309	Investment Properties	16,346
452	Other Long Term Assets	463
31,138	Money owed to the Council	31,391
(15,074)	Money owed by the Council	(18,754)
(65,715)	Long Term Liabilities	(81,966)
<b>35,376</b>	<b>Net Assets</b>	<b>22,086</b>
19,302	Usable Reserves	17,850
16,074	Unusable Reserves	4,236
<b>35,376</b>	<b>Total Reserves</b>	<b>22,086</b>

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

## Balance Sheet (continued)

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

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

Usable reserves include money set aside for specific purposes and sufficient contingency to cover unforeseen events. In particular, the Council has decided that the New Homes Bonus that it receives will be set aside for capital investment to improve and enhance the borough. £7.2million was held at year end and a capital expenditure programme has been developed setting out how we plan to spend this money. Unusable reserves will only become available at some future date, for example if assets are sold. Unusable reserves fell, reflecting the increase in pension liabilities described above.

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

## Capital Expenditure

The Council made two significant capital investments in 2016/17. It acquired the Royal Mail site next to Maidstone East station for future development, in partnership with Kent County Council, and it acquired Granada House in Gabriel's Hill to generate rental income and to hold as a strategic asset.

The Council plans significant further investment over the next five years as part of its housing and regeneration strategy.

	Actual	Five year plan					Total
	16/17	17/18	18/19	19/20	20/21	21/22	
	£000	£000	£000	£000	£000	£000	£000
Housing and regeneration schemes	21	1,500	7,500	11,500	8,500	3,000	32,000
Housing investments	754	3,900	600	600	600	600	6,300
Other housing	840	1,376	1,150	1,150	1,150	1,150	5,976
Commercial property investments	3,653	1,500	0	0	0	0	1,500
Parks and open spaces	641	2,292	1,919	625	0	0	4,836
Town Centre regeneration	131	1,400	1,400	0	0	0	2,800
Maidstone East	2,783	288	212	0	0	0	500
Flood defences	28	50	50	300	550	50	1,000
Infrastructure delivery	500	0	3,000	0	0	0	3,000
Bridges Gyratory Scheme	941	0	0	0	0	0	0
Other	1,559	740	601	520	415	225	2,501
	<b>11,851</b>	<b>13,046</b>	<b>16,432</b>	<b>14,695</b>	<b>11,215</b>	<b>5,025</b>	<b>60,413</b>

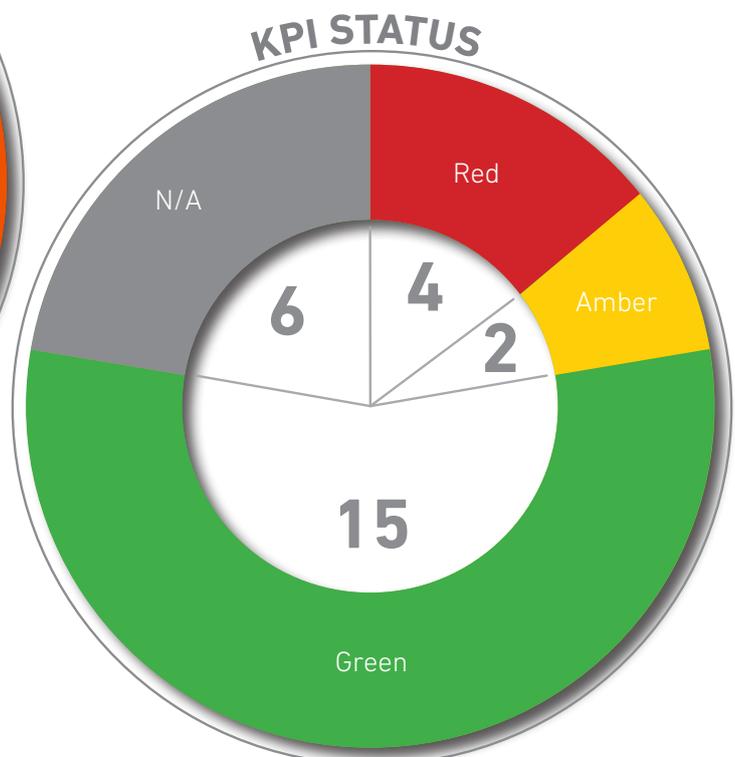
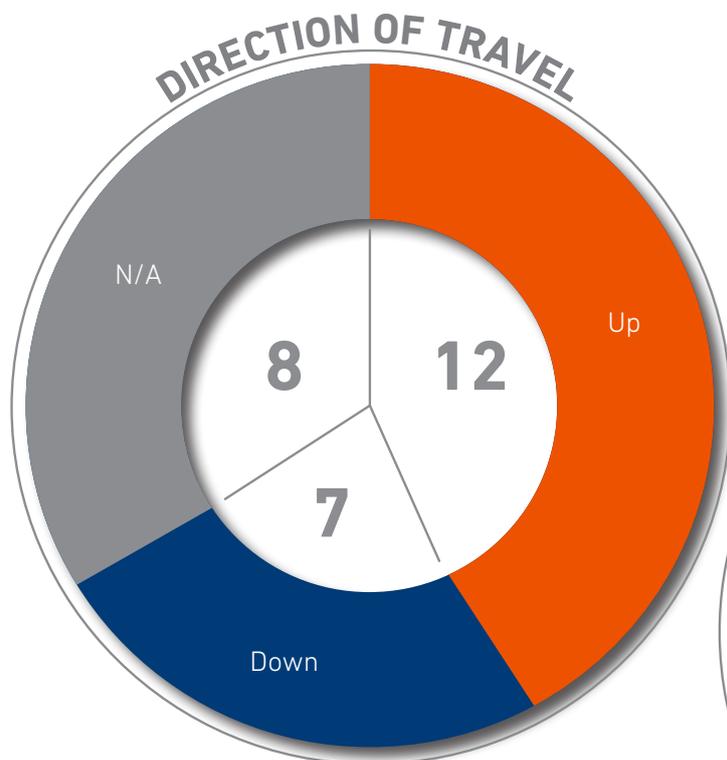


## Key Performance Indicators

Performance is judged in two ways; firstly on whether performance has improved, been sustained or declined, compared to the same period in the previous year. For example, 2016/17 annual performance is compared against 2015/16 annual performance. This is termed **direction of travel**. Where there is no previous data, no assessment of direction can be made.

The second way in which performance is assessed looks at whether an indicator has achieved the target set and is termed **KPI status**. Some indicators may show an asterisk (\*) after the figure, these are provisional figures that are awaiting confirmation.

Data Only indicators are not targeted but are given a direction. Indicators that are not due to be reported or where there is a delay in data collection are not rated against targets or given a direction.



## PRIORITY 1: Keeping Maidstone Borough an attractive place for all

### Providing a clean and safe environment

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Percentage of household waste sent for reuse, recycling and composting (former NI 192)	Waste & Recycling	52.50%	50.30%*	↑	Yellow
The percentage of relevant land and highways that is assessed as having deposits of litter that fall below an acceptable level (former NI 195a)	Street Cleansing	6.50%	2.50%	↓	Green
The percentage of relevant land and highways that is assessed as having deposits of detritus that fall below an acceptable level (former NI 195b)	Street Cleansing	18.00%	7.48%	↓	Green
Number of incidences of fly-tipping	Depot Services	1,200	979	↓	Green
Number of safeguarding practitioners trained	Community Partnerships	200	150**		Red
Percentage change in all crime	Community Partnerships		20.1%	↓	

\*Data for March was not available at the time of publication.

\*\*Data for Quarter 4 (January to March) was not available at the time of publication.

### Encouraging good health and wellbeing

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Number of completed Disabled Facilities Grants	Housing & Health	100	122	↑	Green
User satisfaction with the leisure centre	Leisure Services	82%	78.18%	↓	Yellow
Number of people successfully completing a course at the leisure centre following referral by GP	Community Partnerships		157		
Number of older people helped to reduced social isolation through museum projects	Museum		128		

### Respecting the Character of our Borough

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Percentage of Parishes satisfied with the level of communication and engagement they have with MBC	Democratic Services		38.3%	↑	



**PRIORITY 1: Keeping Maidstone Borough an attractive place for all**

**PRIORITY 2: Securing a successful economy for Maidstone Borough**

**Ensuring there are good leisure and cultural attractions**

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Net Contribution generated from commercial activities	Finance	£623,250	£375,747	↑	Red
Footfall at the Museum and Visitors Information Centre	Museum	78,500	63,541	↓	Red
Number of children taking part in formal educational activities on and off site	Museum	6,500	9,732		Green

**Enhancing the appeal of the town centre**

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Footfall on High Street	Economic Development	8,745,691	11,256,227	↑	Green
Percentage of vacant retail units in town centre	Economic Development	12%	9.78%	↑	Green

## PRIORITY 2: Securing a successful economy for Maidstone Borough

### Securing improvements to the transport infrastructure in our Borough

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Number of school journeys undertaken without a car as part of borough wide schemes	Planning Policy	N/A	14,977		
Percentage of sustainable vehicles in Maidstone	Planning Policy	N/A	1.34%		

### Promoting a range of employment skills and opportunities across the Borough

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Percentage of people claiming Out of Work Benefits	Economic Development	2%	1.25%	↑	Green
Percentage of 16 to 18 year olds who are not in education, employment or training (NEETs)	Economic Development	N/A	2.86%	↑	White
Number of Businesses/Start-ups receiving information, advice and guidance	Economic Development	800	877		Green
Net increase in employment (NOMIS)	Economic Development	2,800	-8,800		Red

### Planning for sufficient homes to meet our Borough's needs

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Number of households prevented from becoming homeless through the intervention of housing advice	Housing & Inclusion	300	329	↑	Green
Number of households housed through housing register	Housing & Enabling	600	643	↓	Green
Number of affordable homes delivered (gross)	Housing & Enabling	180	303	↑	Green
Processing of planning applications: Major applications processed within agreed timescales (former NI 157a)	Development Management	80%	94%	↑	Green
Net additional homes provided (former NI 154)	Planning Policy	550	1,145	↑	Green





## FUTURE PLANS

The Council has a Medium Term Financial Strategy, which sets out the financial implications of the overall Strategic Plan. During 2016/17, the Council updated its Medium Term Financial Strategy and rolled it forward to cover the years 2017/18 to 2021/22. Key points from the Strategy are a commitment to continue to reduce 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, Revenues & Benefits, ICT Services, Environmental Health, Human Resources & Payroll and Legal Services.

The Council has further developed its commercialisation strategy, with a focus now on housing and regeneration.

The Medium Term Financial Strategy indicates that, given our savings plans, the Council can fund its spending in 2017/18 and 2018/19. On current projections there are shortfalls between projected income and expenditure in subsequent years and work is under way to address these.

The position in the years 2019/20 and beyond is subject to considerable uncertainty, with the Government having committed to introduction of 100% business rates retention in 2019/20, necessitating a thorough overhaul of local government funding. There is also considerable economic uncertainty generally associated with the UK's prospective exit from the EU.

As part of the finance settlement for 2016/17 the Government made an offer of a fixed, four year local government finance settlement. The Council agreed formally to accept this offer in October 2016. The Medium Term Financial Strategy described above serves as the Efficiency Plan, required by the Government to demonstrate how the Council will achieve its objectives within the available resources set out in the settlement.

## RISK MANAGEMENT

The Council addresses future uncertainty through an explicit strategy of managing risk. Risks are identified at corporate and service levels, and mitigations developed to address those risks, with the key outputs from the process reported to the Policy and Resources Committee every six months. The budget risks described above are also addressed in a separate Budget Risk Register which is kept under review by the Audit, Governance and Standards Committee.

## The Council's Responsibilities

The Council is required to:

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

## The Director of Finance & Business Improvement's Responsibilities

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

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

- • Selected suitable accounting policies and applied them consistently.
- • Made judgements and estimates that were reasonable and prudent.
- • Complied with the Code.
- The Director of Finance & Business Improvement has also:
- • Kept proper accounting records which were up to date.
- • Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2017.

**Signed:**

Mark Green, Director of Finance & Business Improvement

**Date:**

# PRIMARY STATEMENTS

## COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31st March 2016 & 2017

2015/16 (Restated)				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Committee	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
58,515	(51,709)	6,806	Policy & Resources	59,492	(52,422)	7,070
13,391	(3,547)	9,844	Communities, Housing & Environment	13,672	(4,278)	9,394
8,998	(3,904)	5,094	Heritage, Culture & Leisure	9,428	(4,362)	5,066
8,473	(6,674)	1,799	Strategic Planning, Sustainability & Transportation	8,047	(6,772)	1,275
<b>89,377</b>	<b>(65,834)</b>	<b>23,543</b>	<b>Cost Of Services</b>	<b>90,639</b>	<b>(67,834)</b>	<b>22,805</b>
		655	Other Operating Expenditure (Note 9)	1,608	(1,022)	586
		1,266	Financing and Investment Income and Expenditure (Note 10)	2,450	(652)	1,797
	(24,114)		Taxation and Non-Specific Grant Income and Expenditure (Note 11)		25,863	(25,863)
		<b>1,350</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(675)</b>
			<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
	(662)		(Surplus) or deficit on revaluation of property, plant & equipment assets			(634)
	(8,797)		Remeasurement of the Net Defined Benefit Liability			14,603
	<b>(9,459)</b>		<b>Other Comprehensive Income and Expenditure</b>			<b>13,969</b>
	<b>(8,109)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>13,294</b>

## MOVEMENT IN RESERVES STATEMENT

For the years ending 31st March 2016 & 2017

Current Year	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31st March 2016</b>	18,851	321	130	19,302	16,074	35,376
<b>Movement in Reserves during 2016/17</b>						
Total Comprehensive Income and Expenditure	675	0	0	675	(13,969)	(13,294)
Adjustments between accounting basis & funding basis under regulation (Note 6)	(2,183)	116	(64)	(2,131)	2,131	(0)
<b>Increase or Decrease in 2016/17</b>	<b>(1,508)</b>	<b>116</b>	<b>(64)</b>	<b>(1,456)</b>	<b>(11,838)</b>	<b>(13,294)</b>
<b>Balance at 31st March 2017</b>	<b>17,343</b>	<b>437</b>	<b>66</b>	<b>17,846</b>	<b>4,236</b>	<b>22,082</b>

Comparative Year (Restated)	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31st March 2015</b>	15,293	154	99	15,546	11,721	27,267
<b>Movement in Reserves during 2015/16</b>						
Total Comprehensive Income and Expenditure	(1,350)	0	0	(1,350)	9,459	8,109
Adjustments between accounting basis & funding basis under regulation (Note 6)	4,908	167	30	5,105	(5,105)	0
<b>Increase or Decrease in 2016/17</b>	<b>3,558</b>	<b>167</b>	<b>30</b>	<b>3,755</b>	<b>4,354</b>	<b>8,109</b>
<b>Balance at 31st March 2016</b>	<b>18,851</b>	<b>321</b>	<b>130</b>	<b>19,302</b>	<b>16,074</b>	<b>35,376</b>

# BALANCE SHEET

As at 31st March 2016 & 2017

31st March 2016 £000		Notes	31st March 2017 £000
57,882	Property, Plant & Equipment	<b>18</b>	64,222
16,309	Investment Property	<b>19</b>	16,346
10,384	Heritage Assets	<b>20</b>	10,384
428	Intangible Assets		444
24	Long Term Debtors		19
85,027	<b>Long Term Assets</b>		91,415
14,000	Short Term Investments	<b>21</b>	4,000
53	Inventories		100
12,935	Short Term Debtors	<b>23</b>	15,791
4,150	Cash & Cash Equivalents	<b>24</b>	11,611
31,138	<b>Current Assets</b>		31,502
9,326	Short Term Creditors	<b>25</b>	11,576
2,515	Provision for Business Rate Appeals	<b>26</b>	3,046
629	Deferred Liability	<b>28</b>	655
2,604	Capital Grants Receipts in Advance	<b>16</b>	3,592
15,074	<b>Current Liabilities</b>		18,869
176	Provisions		189
898	Deferred Liability	<b>28</b>	243
64,641	Other Long Term Liabilities	<b>32</b>	81,534
65,715	<b>Long Term Liabilities</b>		81,966
<b>35,376</b>	<b>Net Assets</b>		<b>22,082</b>
19,302	Usable Reserves		17,846
16,074	Unusable Reserves	<b>30</b>	4,236
<b>35,376</b>	<b>Total Reserves</b>		<b>22,082</b>

## CASHFLOW STATEMENT

2015/16 £000		Notes	2016/17 £000
1,350	Net (surplus) or deficit on the provision of services		(675)
(5,378)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(8,170)
6,751	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	36	(19,145)
<u>2,723</u>	<b>Net cash flows from Operating activities</b>		<u>(27,990)</u>
(2,708)	Investing Activities	37	17,855
4,098	Financing Activities	38	2,674
<u>4,113</u>	<b>Net increase or decrease in cash &amp; cash equivalents</b>		<u>(7,461)</u>
(8,263)	Cash & cash equivalents at the beginning of the reporting period		(4,150)
<u>(4,150)</u>	<b>Cash &amp; cash equivalents at the end of the reporting period</b>		<u>(11,611)</u>

# NOTES TO THE ACCOUNTS

## 1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31st March 2016 & 2017

2015/16 (Restated)				2016/17			
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	Committee	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	
8,462	(1,655)	6,807	Policy & Resources	5,486	1,585	7,071	
9,266	578	9,843	Communities, Housing & Environment	8,839	555	9,394	
820	4,273	5,094	Heritage, Culture & Leisure	626	4,440	5,066	
91	1,708	1,799	Strategic Planning, Sustainability & Transportation	(171)	1,446	1,275	
<b>18,638</b>	<b>4,904</b>	<b>23,543</b>	<b>Net Cost Of Services</b>	<b>14,780</b>	<b>8,026</b>	<b>22,806</b>	
(22,193)	(0)	(22,193)	Other Income & Expenditure	(13,271)	(10,210)	(23,481)	
<b>(3,555)</b>	<b>4,904</b>	<b>1,350</b>	<b>(Surplus) or Deficit</b>	<b>1,508</b>	<b>(2,183)</b>	<b>(675)</b>	
		(15,293)	Opening General Fund Balance			(18,851)	
		(3,559)	Less/Plus (Surplus) or Deficit on General Fund Balance in Year			1,508	
		<b>(18,851)</b>	<b>Closing General Fund Balance at 31st March</b>			<b>(17,343)</b>	

## NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

Adjustments between Funding & Accounting Basis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
Heritage, Culture & Leisure			2,519	<b>2,519</b>
Strategic Planning, Sustainability & Transportation			1,566	<b>1,566</b>
Communities, Housing & Environment Policy & Resources			(95)	<b>(95)</b>
	4,473	(2,290)	(3,990)	<b>(1,807)</b>
<b>Net Cost of Services</b>	<b>4,473</b>	<b>(2,290)</b>	<b>0</b>	<b>2,183</b>
Other income and expenditure from the Expenditure & Funding Analysis				<b>0</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>4,473</b>	<b>(2,290)</b>	<b>0</b>	<b>2,183</b>

Adjustments between Funding & Accounting Basis 2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
Heritage, Culture & Leisure			2,604	<b>2,604</b>
Strategic Planning, Sustainability & Transportation			1,742	<b>1,742</b>
Communities, Housing & Environment Policy & Resources			(102)	<b>(102)</b>
	(2,150)	(2,758)	(4,244)	<b>(9,152)</b>
<b>Net Cost of Services</b>	<b>(2,150)</b>	<b>(2,758)</b>	<b>0</b>	<b>(4,908)</b>
Other income and expenditure from the Expenditure & Funding Analysis				<b>0</b>
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,150)</b>	<b>(2,758)</b>	<b>0</b>	<b>(4,908)</b>

### Note i – Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposals of assets and the amounts written off for those assets.
- Financing and investment income & expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### **Note ii – Net Charge for Pensions Adjustments**

- Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.
- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income & expenditure the net interest on the defined benefit liability is charged to the Comprehensive Income & Expenditure Statement.

#### **Note iii – Other Differences**

- Other differences between amounts debited/credited to the Comprehensive Income & Expenditure Statement and amounts payable/receivable to be recognised under statute.
- For financing and investment income & expenditure the other differences column represents adjustments to the General Fund for the timing difference for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted practices under the code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## EXPENDITURE AND INCOME ANALYSED BY NATURE

	2015/16 £000	2016/17 £000
<b>Expenditure</b>		
Employee Benefit Expenses	19,573	19,580
Other Services Expenses	95,353	94,034
Support Service Recharges	21,636	21,484
Depreciation, Amortisation, Impairment	4,129	6,554
Interest Payments	173	151
Precepts & Levies	4,723	1,499
Gain on the Disposal of Assets	(1,227)	(1,210)
<b>Total Expenditure</b>	<b>144,360</b>	<b>142,092</b>
<b>Income</b>		
Fees, Charges & Other Service Income	(17,162)	(18,448)
Interest & Investment Income	(251)	(186)
Income from Council Tax & NDR	(41,973)	(40,259)
Government Grants & Contributions	(53,607)	(53,326)
Internal Recharges	(30,018)	(30,548)
<b>Total Income</b>	<b>(143,010)</b>	<b>(142,767)</b>
<b>Surplus or (Deficit) on the Provision of Services</b>	<b>1,350</b>	<b>(675)</b>

## 2 - ACCOUNTING POLICIES

### a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. 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 2016/17 and the Service Reporting Code of Practice 2016/17, 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 2016/17. 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:

- costs relating to the Council's status as a multi-functional democratic organisation.
- 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 2016/17 and accounted for within the Policy & Resources committee line on the Comprehensive Income & Expenditure Statement.

#### **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 – current value, determined as the amount that would be paid for the asset in its existing use (existing use value – EUV).

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

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

Assets included in the Balance Sheet at 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.

### **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 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 area.

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

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) 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.

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

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

- There is a high degree of uncertainty about future levels of funding for local government. However the Council has determined that this uncertainty is not yet sufficient to provide an indication of the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.

- A comprehensive review of all property leases 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.
- A review of service contracts has been 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 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 judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.
- As a wholly owned subsidiary of the council, Maidstone Property Holdings Ltd falls within the group boundary on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.

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

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

The items in the Council's financial statements at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
<b>Asset valuations &amp; depreciation</b>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties.</p> <p>The Council's external valuers provided valuations for the Council's entire investment portfolio and a proportion of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values were reflective of current appropriate values.</p> <p>Assets are depreciated over useful lives which are based on the level of repairs and maintenance that will be incurred in relation to individual assets. If current spending on repairs and maintenance were to be reduced, this could affect a change to useful lives assigned to the assets.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £4.8m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. Furthermore, if the useful life of assets is reduced the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.4m for every year that useful lives had to be reduced.</p>
<b>Pensions Liability</b>	<p>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.</p> <p>A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>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 £3.265m. However, the assumptions interact in complex ways. A one year increase in the mortality age rating assumption would result in an increase to the pension liability of £7.136m.</p>

<b>Balance</b>	<b>Source of Uncertainty</b>	<b>Effect if actual results differ from assumptions</b>
<b>Arrears</b>	At 31st March 2016 the Council had a balance of sundry debtors for £11.942m. A review of significant balances suggested that a provision of doubtful debts for £3.131m was appropriate. There is uncertainty as to whether or not such an allowance is sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.6m to set aside as an allowance.
<b>Non-Domestic Rates Appeals</b>	The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £7.614m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £3.045m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA.	If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.761m would be required overall, and the council's share of the provision would increase by £0.305m.

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

There are no new standards to be adopted in 2017/18 that will impact upon the Statement.

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

2016/17	Usable Reserves		
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	2,290		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	1,955		
Holiday Pay (transferred to the Accumulated Absences Account)	13		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6,546		
<b>Total Adjustments to Revenue Resources</b>	<b>10,804</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,022)	1,075	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(629)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,624)		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(11,275)</b>	<b>1,075</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure		(959)	
Application of capital grants to finance capital expenditure	(1,717)		(64)
Cash payments in relation to deferred capital receipts	5		
<b>Total Adjustments to Capital Resources</b>	<b>(1,712)</b>	<b>(959)</b>	<b>(64)</b>
<b>Total Adjustments</b>	<b>(2,183)</b>	<b>116</b>	<b>(64)</b>

2015/16 Comparative Figures	Usable Reserves		
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	2,758		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	3,622		
Holiday Pay (transferred to the Accumulated Absences Account)	(4)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,872		
<b>Total Adjustments to Revenue Resources</b>	<b>10,248</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(852)	853	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(607)		
Capital expenditure finances from revenue balances (transfer to the Capital Adjustment Account)	(2,978)		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(4,437)</b>	<b>853</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure		(686)	
Application of capital grants to finance capital expenditure	(903)		30
Cash payments in relation to deferred capital receipts			
<b>Total Adjustments to Capital Resources</b>	<b>(903)</b>	<b>(686)</b>	<b>30</b>
<b>Total Adjustments</b>	<b>4,908</b>	<b>167</b>	<b>30</b>

## 7 – EARMARKED RESERVES

Within the General Fund balance of £17.343m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2016 £000	Contributions to/from Balances £000	31st March 2017 £000
New Homes Bonus funding for Capital Local Plan	11,406	(4,192)	7,214
Neighbourhood Planning	455	(119)	336
Trading Accounts	64	0	64
Business Rates Growth	179	64	243
	233	(75)	158
<b>Total Earmarked Reserves</b>	<b>12,337</b>	<b>(4,323)</b>	<b>8,014</b>
Unallocated Balances	6,514	(3,040)	3,474
<b>Total General Fund Balance</b>	<b>18,851</b>	<b>(7,363)</b>	<b>11,488</b>

### 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.

## 8 - MATERIAL ITEMS OF INCOME & EXPENSE

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

## 9 - OTHER OPERATING EXPENDITURE

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

	2015/16 £000	2016/17 £000
Parish Council precepts	1,394	1,499
Levies	109	109
(Gains)/losses on the disposal of non-current assets	(848)	(1,022)
	<b>655</b>	<b>586</b>

## 10 - FINANCING AND INVESTMENT INCOME & EXPENDITURE

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

	2015/16 £000	2016/17 £000
Interest payable and similar charges	206	183
Net Interest on the Net Defined Benefit Liability	2,281	2,267
Interest receivable and similar income	(252)	(187)
Income & Expenditure in relation to investment properties and changes in their fair value	(969)	(466)
	<b>1,266</b>	<b>1,797</b>

## 11 - TAXATION & NON-SPECIFIC GRANT INCOMES

This note consolidates all the grants and contributions receivable, including those that cannot be identified to particular service expenditure.

<b>Credited to Taxation &amp; Non Specific Grant Income</b>	2015/16 £000	2016/17 £000
Council tax income	14,995	15,690
Revenue Support Grant	2,267	844
Income from Retained Business Rates	21,444	23,218
Tariff Payable	(19,492)	(19,654)
Levy Payable	(43)	(117)
Non-ringfenced Government Grants	4,943	5,882
<b>Total</b>	<b>24,114</b>	<b>25,863</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	47,404	46,900
Non-Domestic Rates - Cost of Collection	206	206
Council Tax Administration	188	164
New Legislation	162	358
Other Grants	182	570
<b>Total</b>	<b>48,142</b>	<b>48,198</b>

## 12 - TRADING OPERATIONS

The Council has established a number 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	2015/16	2016/17		(Surplus)/
	(Surplus)/ Deficit £000	Income £000	Expenditure £000	Deficit £000
Market	111	(321)	366	45
Parkwood Industrial Estate	(316)	(368)	25	(343)
Mote Park Café	86	(290)	440	150
Commercial Waste	3	(243)	328	85
Debt Recovery	17	(371)	375	4
Pay & Display Car Parking	(1,280)	(2,193)	593	(1,600)
On-Street Car Parking	(181)	(754)	556	(198)
Direct Services	12	(2,007)	2,014	7
<b>Net (Surplus)/Deficit</b>	<b>(1,548)</b>	<b>(6,547)</b>	<b>4,697</b>	<b>(1,850)</b>

### 13 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2016/17 totalled £345,934. (£340,867 in 2015/16).

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>

### 14 – OFFICERS REMUNERATION

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

2016/17	Salary (Including Fees) £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	118	18	136	17	153
Director of Finance & Business Improvement	81	1	82	11	93
Director of Regeneration & Place	80	1	81	11	92
Interim Director of Mid-Kent Services	75	3	78	10	88

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

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

The Interim Director of Mid-Kent Services is jointly funded with Swale and Tunbridge Wells Borough Councils, each making equal contributions. Therefore Maidstone's share of the salary is one-third of the value above (£29,343).

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	2016/17 No. of employees	2015/16 No. of employees
£50,000 - £54,999	5	5
£55,000 - £59,999	6	5
£60,000 - £64,999	2	1
£65,000 - £69,999	0	0
£70,000 - £74,999	2	3
£75,000 - £79,999	2	3
£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	
	2015/16	2016/17	2015/16	2016/17	2015/16	2016/17	2015/16 £000	2016/17 £000
£0 - £20,000	0	0	16	9	16	9	88	45
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	1	0	1	0	46	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	98	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>9</b>	<b>18</b>	<b>9</b>	<b>232</b>	<b>45</b>

## 15 - 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.

	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	51	50
Fees payable for the certification of grant claims and returns during the year	14	14
Non-audit Services	6	13
<b>Total</b>	<b>71</b>	<b>77</b>

## 16 – 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:

	2015/16 £000	2016/17 £000
<b>Balance at start of year:</b>	2,173	2,604
Grants Received	1,304	2,773
Transfers to/from Grants Unapplied	0	0
Funding used for capital expenditure	(872)	(1,785)
<b>Balance at end of year:</b>	<b>2,604</b>	<b>3,592</b>

## 17 - RELATED PARTIES

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

### Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework within which the Council operates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 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 2016/17 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.

## 18 - PROPERTY, PLANT & EQUIPMENT

### Movements on Balances

	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
<b>Movements in 2016/17</b>								
<b>Cost or Valuations</b>								
At 1st April 2016	4,008	44,994	12,967	2,052	4,675	3,142	2,032	<b>73,870</b>
Additions	419	3,701	1,072	177	647	25	3,634	<b>9,675</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	243	0	0	0	0	0	<b>243</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(372)	0	0	0	0	0	<b>(372)</b>
Derecognition of assets	(108)	(26)	(635)	(981)	(535)	0	0	<b>(2,285)</b>
Other movements in cost or valuation	(1)	(73)	0	0	0	0	0	<b>(74)</b>
At 31st March 2017	<b>4,318</b>	<b>48,467</b>	<b>13,404</b>	<b>1,248</b>	<b>4,787</b>	<b>3,167</b>	<b>5,666</b>	<b>81,057</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2016	(2,828)	(3,363)	(5,709)	(1,435)	(2,651)	0	0	<b>(15,986)</b>
Depreciation charge	(216)	(1,883)	(911)	(285)	(355)	0	0	<b>(3,650)</b>
Depreciation written out to the Revaluation Reserve	0	563	0	0	0	0	0	<b>563</b>
Derecognition of assets	108	26	637	932	535	0	0	<b>2,238</b>
At 31st March 2017	<b>(2,936)</b>	<b>(4,657)</b>	<b>(5,983)</b>	<b>(788)</b>	<b>(2,471)</b>	<b>0</b>	<b>0</b>	<b>(16,835)</b>
<b>Net Book Value</b>								
At 31st March 2017	<b>1,382</b>	<b>43,810</b>	<b>7,421</b>	<b>460</b>	<b>2,316</b>	<b>3,167</b>	<b>5,666</b>	<b>64,222</b>
At 31st March 2016	1,182	41,628	7,256	618	2,024	3,142	2,032	<b>57,882</b>
<b>Movements in 2015/16</b>								
<b>Cost or Valuations</b>								
At 1st April 2015	3,997	44,553	12,156	1,523	4,371	3,092	23	<b>69,715</b>
Additions	16	188	783	29	305	50	2,049	<b>3,420</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	209	0	0	0	0	0	<b>209</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	118	0	0	0	0	0	<b>118</b>
Transfers between categories	0	0	28	0	0	0	(28)	<b>0</b>
Other movements in cost or valuation	(5)	(74)	0	500	0	0	(12)	<b>408</b>
At 31st March 2016	<b>4,008</b>	<b>44,994</b>	<b>12,967</b>	<b>2,052</b>	<b>4,675</b>	<b>3,142</b>	<b>2,032</b>	<b>73,870</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2015	(2,636)	(2,343)	(4,908)	(1,166)	(2,335)	0	0	<b>(13,389)</b>
Depreciation charge	(202)	(1,736)	(799)	(268)	(319)	0	0	<b>(3,324)</b>
Depreciation written out to the Revaluation Reserve	0	788	0	0	0	0	0	<b>788</b>
Transfers between categories	0	0	(4)	0	4	0	0	<b>0</b>
Other movements in cost or valuation	12	(75)	0	0	0	0	0	<b>(63)</b>
At 31st March 2016	<b>(2,826)</b>	<b>(3,366)</b>	<b>(5,711)</b>	<b>(1,434)</b>	<b>(2,651)</b>	<b>0</b>	<b>0</b>	<b>(15,988)</b>
<b>Net Book Value</b>								
At 31st March 2016	<b>1,182</b>	<b>41,628</b>	<b>7,256</b>	<b>618</b>	<b>2,024</b>	<b>3,142</b>	<b>2,032</b>	<b>57,882</b>
At 31st March 2015	1,360	42,211	7,245	357	2,034	3,092	23	<b>56,326</b>

Additions for 2016/17 include the acquisition of a number of properties, the most significant of which are as follows:

- A 50% share of the former Royal Mail Depot site in Maidstone, the other 50% being purchased by Kent County Council
  - The purchase of Granada House
  - The purchase of a number of smaller properties to use as temporary accommodation for homeless people
- The de-recognition of assets covers the writing out of a number of items, mainly vehicles, that the Council no longer owns.

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.

<b>Analysis of Land &amp; Buildings Movements 2016/17</b>															
	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuations</b>															
At 1st April 2016	6,662	1,441	1,748	2,864	1,462	197	8,071	1,050	14,001	583	1,705	0	4,078	1,133	44,995
Additions		64	73						41			3,515	7		3,700
Revaluation increases/(decreases) recognised in the Revaluation Reserve											243				243
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services											(242)	(130)			(372)
Derecognition of Assets											(26)				(26)
Other movements in cost or valuation			(73)												(73)
<b>At 31st March 2017</b>	<b>6,662</b>	<b>1,505</b>	<b>1,748</b>	<b>2,864</b>	<b>1,462</b>	<b>197</b>	<b>8,071</b>	<b>1,050</b>	<b>14,042</b>	<b>583</b>	<b>1,680</b>	<b>3,385</b>	<b>4,085</b>	<b>1,133</b>	<b>48,467</b>
<b>Accumulated Depreciation &amp; Impairment</b>															
At 1st April 2016	11	(68)	(34)	(477)	(292)	(39)	(758)	(64)	(667)	(62)	(591)		(210)	(117)	(3,368)
Depreciation charge		(67)	(22)	(142)	(146)		(379)	(21)	(663)	(63)	(101)	(168)	(70)	(39)	(1,878)
Depreciation written out to the Revaluation Reserve											563				563
Other movements in cost or valuation											26				26
<b>At 31st March 2017</b>	<b>11</b>	<b>(135)</b>	<b>(56)</b>	<b>(619)</b>	<b>(438)</b>	<b>(39)</b>	<b>(1,137)</b>	<b>(85)</b>	<b>(1,330)</b>	<b>(125)</b>	<b>(103)</b>	<b>(168)</b>	<b>(280)</b>	<b>(156)</b>	<b>(4,657)</b>
<b>Net Book Value</b>															
<b>At 31st March 2017</b>	<b>6,673</b>	<b>1,370</b>	<b>1,692</b>	<b>2,245</b>	<b>1,024</b>	<b>158</b>	<b>6,934</b>	<b>965</b>	<b>12,712</b>	<b>458</b>	<b>1,577</b>	<b>3,217</b>	<b>3,805</b>	<b>977</b>	<b>43,810</b>
At 31st March 2016	6,676	1,370	1,714	2,387	1,170	158	7,312	986	13,334	521	1,115	0	3,869	1,015	41,628

<b>Analysis of Land &amp; Buildings Movements 2015/16</b>															
	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuations</b>															
At 1st April 2015	6,568	1,570	1,729	2,864	1,461	196	8,070	1,050	13,586	543	1,705	0	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											40				118
Other movements in cost or valuation	(6)	(23)	(29)					(14)							(72)
<b>At 31st March 2016</b>	<b>6,666</b>	<b>1,438</b>	<b>1,749</b>	<b>2,864</b>	<b>1,462</b>	<b>197</b>	<b>8,070</b>	<b>1,050</b>	<b>14,001</b>	<b>583</b>	<b>1,705</b>	<b>0</b>	<b>4,078</b>	<b>1,133</b>	<b>44,994</b>
<b>Accumulated Depreciation &amp; Impairment</b>															
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											513	11			788
Other movements in cost or valuation	(44)	7				(39)									(76)
<b>At 31st March 2016</b>	<b>10</b>	<b>(68)</b>	<b>(34)</b>	<b>(477)</b>	<b>(292)</b>	<b>(39)</b>	<b>(758)</b>	<b>(64)</b>	<b>(667)</b>	<b>(62)</b>	<b>(590)</b>	<b>0</b>	<b>(210)</b>	<b>(117)</b>	<b>(3,366)</b>
<b>Net Book Value</b>															
<b>At 31st March 2016</b>	<b>6,676</b>	<b>1,370</b>	<b>1,714</b>	<b>2,387</b>	<b>1,170</b>	<b>158</b>	<b>7,312</b>	<b>986</b>	<b>13,334</b>	<b>521</b>	<b>1,115</b>	<b>0</b>	<b>3,869</b>	<b>1,015</b>	<b>41,628</b>
At 31st March 2015	6,622	1,300	1,717	2,548	0	196	7,691	1,007	13,073	510	1,238	0	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 2017.

### 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 2016 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 £000	Community Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Assets Under Construction £000	Total £000
Carried at historical cost	4,318	3,167	454	13,404	1,248	4,787	5,666	33,044
Valued at current value as at:								
31st March 2014			25,336					25,336
31st March 2015			15,978					15,978
31st March 2016			1,641					1,641
31st March 2017			5,058					5,058
<b>Total Cost or Valuation</b>	<b>4,318</b>	<b>3,167</b>	<b>48,467</b>	<b>13,404</b>	<b>1,248</b>	<b>4,787</b>	<b>5,666</b>	<b>81,057</b>

## 19 - INVESTMENT PROPERTIES

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

	2015/16 £000	2016/17 £000
Balance at start of the year	15,962	16,310
<b>Additions:</b>		
Additions	2	36
Net gains/losses from fair value adjustments	345	(0)
<b>Balance at end of year</b>	<b>16,310</b>	<b>16,346</b>

In estimating the fair value of the authority's investment properties, the highest and best use of the properties is their current use.

The fair value for the council's investment property portfolio has been based on the market approach using current market conditions and recent sales or lettings evidence and other relevant information for similar assets in Maidstone Borough, or other suitably comparable locations. Where appropriate, adjustments have been made to the comparable evidence to relate these directly to the subject properties. Market conditions are such that similar properties are actively sold or let and the level of observable inputs are significant, leading to the properties being categorised at Level 2 in the fair value hierarchy.

There has been no change in the valuation techniques used during the year for investment properties.

## 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 2016	9,090	471	515	308	10,384
Additions					0
<b>31st March 2017</b>	<b>9,090</b>	<b>471</b>	<b>515</b>	<b>308</b>	<b>10,384</b>
1st April 2015	9,090	471	515	308	10,384
Additions					0
<b>31st March 2016</b>	<b>9,090</b>	<b>471</b>	<b>515</b>	<b>308</b>	<b>10,384</b>

### Museum Exhibits

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

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

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

### War Memorials

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

### Statues and Sculptures

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

### Other Items

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

## Listed Buildings and Other Heritage Assets

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

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

## 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 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
<b>Investments</b>				
Loans & receivables	0	0	18,150	15,856
Available-for-sale financial assets	0	0	0	0
	0	0	18,150	15,856
<b>Debtors</b>				
Loans & receivables	24	0	8,525	7,924
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	6,370	8,551
<b>Other Long Term Liabilities</b>				
Finance Lease Liabilities at amortised cost	898	243	629	655

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 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
<b>Income:</b>				
Loans & Receivables	0	0	235	179
Available-for-sale Financial Assets	0	0	15	7
Other Interest	0	0	2	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>252</b>	<b>187</b>

### Fair Value of Assets and Liabilities

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

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

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Director of Finance & Business Improvement and the Finance Manager in Treasury, Insurance & VAT, under policies approved by the Council on 01 March 2016 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 2016/17 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 2016/17

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

- Invest up to £8m of core cash for over 1 year if rates were to improve;
- Consider the possibility of using property funds;
- All other investments short term (less than 1 year);
- An authorised limit to borrowing for the year of £20.46m to assist with funding the increased capital programme which has been agreed by Council.

### 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, Arlingclose, 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 2017 investments were held with the following institutions:

	<b>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
AAA rated Institutions	2,640	5,810
AA rated Institutions	3,042	2,046
A rated Institutions	11,000	8,000
BBB+ rated Institutions	2,000	0
Unrated Building Societies	0	0
UK Government	0	0
<b>Total</b>	<b>18,682</b>	<b>15,856</b>

### Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes, 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 £20.46m (£16.46m 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 did not find itself needing to borrow funds during 2016/17, except in the short term for cash flow reasons, its only risk is in relation to exposure to interest rate movements in its investments. This exposure is managed by use of Prudential Indicators, which set limits on the proportion of investments held at fixed and variable rates. These indicators are monitored on a daily basis. The main exposure to risk in this area is the use of investment Call Accounts, Enhanced Cash Funds and Money Market Funds which are linked to Base Rate. However the risk is considered to be small as these accounts are generally only used for the short-term investment of funds for cash flow purposes, and funds can be withdrawn on a daily basis. The risk exposure is summarised in

the table below.

	<b>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
Call Accounts/Money Market Funds	2,682	8,856
Receivables	16,000	7,000
<b>Total</b>	<b>18,682</b>	<b>15,856</b>

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

	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Central government bodies	2,038	3,237
Other local authorities	2,208	4,372
Other entities and individuals	12,163	11,943
<b>Total</b>	<b>16,409</b>	<b>19,552</b>

The movement in the balances for Central Government and other local authorities is a reflection of the Council's membership of the Kent Business Rates Pool.

#### Provision for Bad Debts

	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Excess Charges Provision	445	605
Sundry Bad Debts Provision	3,029	3,156
<b>Total</b>	<b>3,474</b>	<b>3,761</b>

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £15.791m. Other entities and individuals within Short Term Debtors are broken down as follows:

	2015/16 £000	2016/17 £000
Council Tax payers	826	881
Business Rate payers	1,300	1,636
Capital debtors	236	605
General debtors	8,290	7,319
Payments in Advance	777	584
Other miscellaneous amounts	734	918
<b>Total</b>	<b>12,163</b>	<b>11,943</b>

## 24 - CASH & CASH EQUIVALENTS

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

	2015/16 £000	2016/17 £000
Cash held by the Council	17	10
Bank current accounts	(549)	(254)
Short-term deposits	4,682	11,855
<b>Total</b>	<b>4,150</b>	<b>11,611</b>

The increase in short term deposits reflects a high level of funds held in short notice /liquid funds for cashflow purposes.

## 25 – CREDITORS

### Short Term

	2015/16 £000	2016/17 £000
Central government bodies	941	2,845
Other local authorities	2,919	2,761
Other entities and individuals	5,466	5,970
<b>Total</b>	<b>9,326</b>	<b>11,576</b>

The movement in the balances for Central Government and other local authorities is a reflection of the Council's membership of the Kent Business Rates Pool.

Other entities and individuals are broken down as follows:

	2015/16 £000	2016/17 £000
General creditors	2,335	2,799
Capital creditors	179	141
Council tax payers	187	189
Business Rate payers	411	857
Receipts in advance	975	1,007
Deposits	1,164	936
Retentions	214	41
<b>Total</b>	<b>5,466</b>	<b>5,970</b>

## 26 - PROVISIONS

### Provision for Business Rates Appeals

	2015/16 £000	2016/17 £000
Business Rates Appeals - Current	584	609
Business Rates Appeals - Backdated	1,931	2,326
<b>Total</b>	<b>2,515</b>	<b>2,935</b>

The Council 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 2017 are summarised in the following table. The figures for 2015/16 are the audited figures, which differ from those in the 2015/16 Statement of Accounts, as the audit took place after that was published.

	2015/16 £000	2016/17 £000
<b>Fixed Assets:</b>		
Intangible Assets	38	25
Tangible Assets	2,870	2,870
Investment Property	635	635
Investments	1,134	874
	<b>4,677</b>	<b>4,404</b>
Current Assets	387	190
Current Liabilities	582	78
<b>Total assets less current liabilities</b>	<b>4,480</b>	<b>4,516</b>
<b>Total Charitable Funds</b>	<b>4,480</b>	<b>4,516</b>

Gross expenditure in 2016/17 totalled £573,960 (£926,445 in 2015/16). Gross income in 2016/17 totalled £541,771 (£791,865 in 2015/16). There was significant capital expenditure in 2015/16, which is why the figures have reduced in 2016/17.

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 2016/17) 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

	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
Balance outstanding at start of year	1,634	1,527
Adjustments	500	
Repayment of principal	(607)	(629)
<b>Balance outstanding at end of year</b>	<b>1,527</b>	<b>898</b>

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

The £0.5m adjustment figure in 2015/16 relates to the value of the buses in the Park & Ride contract, which for the purposes of the accounts is classified as an embedded lease.

## 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.

	<b>31st March</b>	<b>31st March</b>
	<b>2016</b>	<b>2017</b>
	<b>£000</b>	<b>£000</b>
<b>Balance at 1st April</b>	<b>154</b>	<b>325</b>
Capital Receipts Received	857	1,071
Capital Receipts Applied	(686)	(959)
<b>Balance at 31st March</b>	<b>325</b>	<b>437</b>

## 30 - UNUSABLE RESERVES

	<b>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
Revaluation Reserve	26,223	26,751
Capital Adjustment Account	57,603	64,102
Deferred Capital Receipts Reserve	23	19
Pensions Reserve	(64,641)	(81,534)
Collection Fund Adjustment Account	(2,957)	(4,912)
Accumulated Absences Account	(177)	(190)
<b>Total Unusable Reserves</b>	<b>16,074</b>	<b>4,236</b>

### a) Revaluation Reserve

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

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

The Reserve contains only the revaluation gains accumulated since 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.

	<b>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
<b>Balance at 1st April</b>	<b>25,547</b>	<b>26,223</b>
Upward revaluation of assets	1,052	620
Downward revaluation of assets	(389)	(55)
Additions and Disposals	36	(3)
Difference between fair value depreciation and historical cost depreciation	(23)	(34)
<b>Balance at 31st March</b>	<b>26,223</b>	<b>26,751</b>

### b) Capital Adjustment Account

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

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

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

	<b>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
<b>Balance at 1st April</b>	<b>56,258</b>	<b>57,603</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(3,324)	(3,650)
Amortisation of intangible assets	(195)	(165)
Prior Year Adjustments	(70)	72
Revaluation Gains/Losses on Property, Plant & Equipment	446	(179)
Revenue expenditure funded from capital under statute	(911)	(2,527)
Write-off of non-enhancing capital expenditure	(112)	(83)
	<b>(4,166)</b>	<b>(6,532)</b>
Adjusting amounts written out of the Revaluation Reserve	23	34
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(4,143)</b>	<b>(6,498)</b>
Capital financing applied in the year:		
Sums set aside for Debt Repayment	607	629
Use of the Capital Receipts Reserve to finance new capital expenditure	686	959
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	872	1,785
Capital expenditure charged against the General Fund balance	2,978	9,624
	<b>5,143</b>	<b>12,997</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	345	(0)
<b>Balance at 31st March</b>	<b>57,603</b>	<b>64,102</b>

### c) Pensions Reserve

The Pensions Reserve absorbs the timing differences arising from the different arrangements for accounting for post-employment benefits and for funding benefits in accordance with statutory provisions. The Council accounts for post-employment benefits in the Comprehensive Income & Expenditure Statement as benefits are earned by employees accruing years of service, updating the liabilities recognised to reflect inflation, changing assumptions and investment returns on any resources set aside to meet the costs. However, statutory

arrangements require benefits earned to be financed as the Council makes employer's contributions to pension funds or eventually pays any pensions for which it is directly responsible. The debit balance on the Pensions Reserve therefore shows a substantial shortfall in the benefits earned by past and current employees and the resources that the Council has set aside to meet them. The statutory arrangements will ensure that funding will have been set aside by the time the benefits come to be paid.

	2015/16 £000	2016/17 £000
Opening balance at 1 April	70,680	64,641
Remeasurements of the net defined liability	(8,797)	14,603
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,148	5,691
Employer's pensions contributions	(3,390)	(3,401)
<b>Closing balance at 31 March</b>	<b>64,641</b>	<b>81,534</b>

#### d) Collection Fund Adjustment Account

	31st March 2016 £000	31st March 2017 £000
<b>Balance at 1st April</b>	666	(2,957)
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	(130)	(99)
- Non-domestic Rates	(3,493)	(1,856)
<b>Balance at 31st March</b>	<b>(2,957)</b>	<b>(4,912)</b>

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.

## 31 - CAPITAL EXPENDITURE & CAPITAL FUNDING

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

	<b>2015/16</b>	<b>2016/17</b>
	<b>£000</b>	<b>£000</b>
<b>Capital Investment</b>		
Property, Plant & Equipment	3,307	9,533
Investment Properties	1	38
Intangible Assets	206	182
Non-enhancing capital expenditure	112	88
Revenue Expenditure Funded from Capital Under Statute	911	2,527
	<b>4,536</b>	<b>12,368</b>
<b>Sources of Finance</b>		
Capital receipts	686	959
Government grants & other contributions	872	1,785
Direct Revenue Contributions	2,978	9,624
	<b>4,536</b>	<b>12,368</b>

The increase in property, plant and equipment includes the acquisition of a number of properties, the most significant of which are as follows:

- A 50% share of the former Royal Mail Depot site in Maidstone, the other 50% being purchased by Kent County Council
- The purchase of Granada House
- The purchase of a number of smaller properties to use a temporary accommodation for homeless people

## **32 - DEFINED BENEFIT PENSION SCHEMES**

### **Participation in Pension Schemes**

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

The Council participates in the Local Government Pension Scheme, 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:

	2015/16 £000	2016/17 £000
<b>Comprehensive Income &amp; Expenditure Statement (CI&amp;ES)</b>		
Cost of Services:		
Service cost comprising:		
- Current service cost	3,593	3,407
- Past service costs including curtailments	274	17
Financing and Investment Income & Expenditure:		
- Net interest expense	2,281	2,267
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,148</b>	<b>5,691</b>
Other Post Employment Benefit Charged to the CI&ES		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in net interest expense)	(1,989)	14,979
- Actuarial gains and losses arising on changes in financial assumptions	10,767	(35,909)
- Actuarial gains and losses arising on changes in demographic assumptions	0	3,244
- Experience gains and losses on defined benefit obligation	19	3,015
- Other actuarial gains and losses	0	68
<b>Total Post Employment Benefit Charged to the CI&amp;ES</b>	<b>14,945</b>	<b>(8,912)</b>
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	6,148	5,691
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,390)	(3,401)

### Curtailments

Curtailments have been calculated for employees who become entitled to unreduced early retirement benefits during the year. The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £16,753 (2015/16 £274,000).

## 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 (2015/16 £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:

	2015/16 £000	2016/17 £000
Present value of funded obligation	149,896	183,756
Fair value of plan assets	87,447	104,482
Contributions by scheme participants	62,449	79,274
Present value of unfunded obligation	2,192	2,260
<b>Net liability arising from defined benefit obligation</b>	<b>64,641</b>	<b>81,534</b>

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

	2015/16 £000	2016/17 £000
Opening fair value of Scheme assets	87,531	87,447
Interest on assets	2,873	3,128
Return on assets less interest	(1,929)	15,035
Actuarial gains/losses	0	68
Administration expenses	(60)	(56)
Contributions by employer including unfunded	3,390	3,401
Contributions paid by scheme participants	785	843
Estimated benefits paid plus unfunded net of transfers in	(5,143)	(5,384)
<b>Closing fair value of Scheme assets</b>	<b>87,447</b>	<b>104,482</b>

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

	2015/16 £000	2016/17 £000
Opening balance at 1 April	158,211	152,088
Current Service cost	3,593	3,407
Interest cost	5,154	5,395
Remeasurement (gains) and losses		
- Change in financial assumptions	(10,767)	35,909
- Experience loss/(gain) on defined benefit	(19)	(3,015)
Changes in demographic assumptions	0	(3,244)
Past service costs, including curtailments	274	17
Estimated benefits paid net of transfers in	(4,961)	(5,211)
Contributions by Scheme participants	785	843
Unfunded pension payments	(182)	(173)
<b>Closing balance at 31 March</b>	<b>152,088</b>	<b>186,016</b>

### Local Government Pension Scheme Assets

	31st March 2016		31st March 2017	
	£000	%	£000	%
Equities	58,315	66.7%	73,738	70.6%
Gilts	775	0.9%	779	0.7%
Other Bonds	9,602	11.0%	10,178	9.7%
Property	12,703	14.5%	13,020	12.5%
Cash	2,252	2.6%	2,669	2.6%
Absolute return fund	3,800	4.3%	4,098	3.9%
<b>Total</b>	<b>87,447</b>	<b>100.0%</b>	<b>104,482</b>	<b>100.0%</b>

### Basis for Estimating Assets and Liabilities

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

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Kent County Council Pension Fund are based on the full valuation of the scheme as at 31st March 2016.

The principal assumptions used by the actuary have been:

	2015/16	2016/17
<b>Long-term expected rate of return of assets in the scheme</b>		
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners		
- Men	22.9	23.0
- Women	25.3	25.0
Longevity at 65 for future pensioners		
- Men	25.2	25.1
- Women	27.7	27.4
<b>Financial Assumptions</b>		
RPI increases	3.2%	3.6%
CPI increases	2.3%	2.7%
Salary increases	4.1%	4.2%
Pension increases	2.3%	2.7%
Discount Rate	3.6%	2.7%

### Sensitivity Analysis

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

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	182,751	186,016	189,342
- Projected Service Cost	4,759	4,881	5,006
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	186,480	186,016	186,556
- Projected Service Cost	4,881	4,881	4,881
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	188,875	186,016	183,208
- Projected Service Cost	5,006	4,881	4,759
Adjustment to mortality age rating	+1 Year	None	-1 Year
- Present Value of Total Obligation	193,152	186,016	179,151
- Projected Service Cost	5,037	4,881	4,730

## Scheme History

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
Present value of assets in the Local Government Pension Scheme	78,152	79,694	87,531	87,447	104,482
Fair value of assets in the Local Government Pension Scheme	127,137	136,170	158,211	152,088	186,016
<b>Surplus/(Deficit) in the scheme</b>	<b>(48,985)</b>	<b>(56,476)</b>	<b>(70,680)</b>	<b>(64,641)</b>	<b>(81,534)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £81.534m 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 2018 are £3.197m.

## 33 – 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 2016 £000	31st March 2017 £000
Not more than 1 year	944	778
Later than 1 year and not later than 5 years	2,734	2,663
Later than 5 years	1,473	905
	<b>5,151</b>	<b>4,346</b>

## 34 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 31st May 2017. 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 2017 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

	2015/16 £000	2016/17 £000
Depreciation	(3,324)	(3,650)
Revaluation Gains & Losses	446	(73)
Amortisation of Intangible Assets	(195)	(165)
Movement in Provisions	(2,336)	127
Movement in Creditors	72	(1,091)
Movement in Debtors	2,416	(724)
Movement in Inventories	(35)	47
Movement in Pension Liabilities	(2,758)	(2,290)
Other Non-Cash items	336	(351)
	<b>(5,378)</b>	<b>(8,170)</b>

### 36 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2015/16 £000	2016/17 £000
Interest received	(252)	(187)
Interest paid	205	151
	<b>(47)</b>	<b>(36)</b>

### 37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £000	2016/17 £000
Purchase of property, plant & equipment, investment property and intangible assets	3,870	9,544
Purchase of short-term and long-term investments	38,001	12,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,263)	(706)
Proceeds from short-term and long-term investments	(42,012)	0
Other receipts for investing activities (Grants)	(1,304)	(2,983)
<b>Net cash flows from investing activities</b>	<b>(2,708)</b>	<b>17,855</b>

## 38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2015/16	2016/17
	£000	£000
Other receipts from financing activities	(12)	0
Repayments of short & long-term borrowing	307	629
Other payments for financing activities	3,803	2,045
<b>Net cash flows from financing activities</b>	<b>4,098</b>	<b>2,674</b>

## COLLECTION FUND STATEMENT & NOTES

2015/16		2016/17	
£000		£000	£000
<b>INCOME</b>			
90,846	Income From Council Tax		95,899
58,608	Income From Business Rates (Note 2)		60,507
<b>149,454</b>	<b>Total Income</b>		<b>156,406</b>
<b>EXPENDITURE</b>			
Precepts and Demands - Council Tax			
63,371	Kent County Council	65,635	
8,555	Kent Police & Crime Commissioner	8,809	
15,126	Maidstone Borough Council	15,413	
4,108	Kent Fire & Rescue Authority	4,168	
			<b>94,025</b>
Shares of Business Rates			
31,171	Central Government	31,342	
5,611	Kent County Council	5,642	
24,937	Maidstone Borough Council	25,073	
623	Kent Fire & Rescue Authority	627	
			<b>62,684</b>
26	Transitional Protection Payments - Business Rates		<b>94</b>
Impairment of Debts - Council Tax			
228	Write offs of uncollectable amounts	138	
238	Additional / (Reduced) Provision For Non Payment	279	
			<b>418</b>
Impairment of Debts/Appeals - Business Rates			
1,255	Write offs of uncollectable amounts	817	
(106)	Additional / (Reduced) Provision For Non Payment	18	
(1,055)	Losses on appeal	(1,274)	
4,671	Additional / (Reduced) Provision For Appeals	2,601	
			<b>2,161</b>
206	Cost of Collection Allowance - Business Rates		<b>206</b>
<b>158,965</b>	<b>Total Expenditure</b>		<b>159,588</b>
(9,511)	Surplus/(Deficit) For Year		(3,182)
3,157	Surplus/(Deficit) Brought Forward From Previous Years		(6,355)
<b>1,764</b>	<b>Surplus/(Deficit) on Council Tax</b>		<b>3,220</b>
<b>(8,119)</b>	<b>Surplus/(Deficit) on Business Rates</b>		<b>(12,757)</b>
<b>(6,355)</b>	<b>Surplus/(Deficit) as at 31st March 2017</b>		<b>(9,537)</b>

The Collection Fund is an agent's statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of this council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates. Respective shares of Balance Sheet items are consolidated into the accounts of billing and precepting authorities.

## Notes to the Collection Fund

### Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 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 which is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 58,525.4 for 2016/17 (56,974.3 for 2015/16) (see table below.) This basic amount of council tax for a Band D property, £1,598.36 for 2016/17, (£1,543.50 for 2015/16) is multiplied by the proportion specified for the particular band to give an individual amount due. Parish Precepts are added to this basic amount.

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

Band	Number of Dwellings	Multiplier	Council Tax Base
Band A (incl disabled relief)	0.40	5/9	0.2
Band A	2,631.40	6/9	1,754.3
Band B	6,086.40	7/9	4,733.9
Band C	14,419.40	8/9	12,817.3
Band D	15,259.60	9/9	15,259.6
Band E	8,250.90	11/9	10,084.4
Band F	4,833.70	13/9	6,982.0
Band G	3,631.60	15/9	6,052.6
Band H	311.10	18/9	622.2
Other			219.0
			<b>58,525.4</b>

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

The Council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by central government. There are two multipliers:

Standard Multiplier 49.7p / £ Rateable Value (49.3p in 2015/16)

Small Business Multiplier 48.4p / £ Rateable Value (48.0p in 2015/16)

The rateable value at 31st March 2017 was £142.528m (£142.241m at 31st March 2016).

For 2016/17, it was calculated that the Council would receive £24.059m in business rates (£23.410m 2015/16).

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

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies. A significant proportion of Maidstone's retained share (£19.654m in 2016/17, £19.41m in 2015/16) is subsequently topsliced and returned to DCLG for redistribution across local government.

A further Safety Net or Levy system acts to ensure that any local authority is protected from a net localised business rate yield of less than 92.5% of its Baseline Funding level set by the government. In these circumstances a local authority will receive a Safety Net grant. This grant is paid for by imposing a 50% levy on localised business rate receipts in excess of their Baseline Funding level.

For 2016/17 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.

## **GLOSSARY OF TERMS**

### **ACCOUNTING POLICIES**

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

### **ACCOUNTS**

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

### **ASSETS HELD FOR SALE**

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

### **BALANCE SHEET**

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

### **BALANCES**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL RECEIPTS**

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

### **COLLECTION FUND**

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

### **CREDITORS**

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

### **DEBTORS**

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

### **DEPRECIATION**

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

### **GENERAL FUND**

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

### **HERITAGE ASSETS**

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

## **INTANGIBLE ASSETS**

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

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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

## **INVESTMENT PROPERTIES**

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

## **PROPERTY, PLANT & EQUIPMENT**

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

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE**

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

## **REVENUE SUPPORT GRANT**

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

## **REVENUE ACCOUNT**

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

## **SUPPORT SERVICES**

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

## **USABLE CAPITAL RECEIPTS**

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

## **UNUSABLE RESERVES**

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

## **USABLE RESERVES**

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

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

To follow

# **Appendix A**

## **Annual Governance Statement**

**2016/17 – to follow**

