

STATEMENT OF ACCOUNTS

for the year ending
31st March 2018

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NARRATIVE Report 2018





About Maidstone

Maidstone is the largest borough council district by population in Kent, with an estimated 165,700 residents in mid-2016. Around 70% live in the town of Maidstone, which is the county town of Kent. In the surrounding rural area there are local service centres such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham and many smaller villages.

Maidstone is located in the heart of the county of Kent, between the North Downs and the Weald. The M20 from London to the Kent coast at Folkestone runs through the borough. The area has some spectacular landscapes and has a rich historical heritage, with over 2,000 listed buildings. The Medway, the longest river in Kent, flows northwards through Maidstone on its way from the Weald to the Thames Estuary at Rochester.

Maidstone has a diverse economy, with nearly 7,000 businesses across a broad range of sectors including construction, professional and business services, and engineering. The Kent Institute of Medicine and Surgery (KIMS) is the heart of the expanding Kent Medical Campus at junction 7 of the M20, which forms part of the North Kent Enterprise Zone. The diversity of the borough's economy, its good transport links, and access to skills provides great scope for further growth.

Maidstone's Strategic Plan

The Council has a five year Strategic Plan covering the period 2015 to 2020, which is updated on an annual basis. The Strategic Plan informs all the Council's other plans and strategies, including in particular the Local Plan, which sets out the vision and framework for future housing, infrastructure and commercial development in the area.

The current Strategic Plan identifies two overriding priorities – keeping Maidstone Borough an attractive place for all and securing a successful economy for the Borough. Within these overall priorities, three specific areas of focus were identified for 2017/18:

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

This report sets out key achievements in these areas and progress against key performance indicators.

Key achievements



A Home for everyone

- **Temporary accommodation**
In order to provide good quality, affordable temporary accommodation for homeless people, the Council has bought 15 further units, making a total of 50. This has meant that the majority of households in temporary accommodation are in Council-owned property, rather than nightly lets.

- **New housing developments**

The Council will start work in September 2018 on two new housing developments in Maidstone town centre. When complete in Summer 2020, the developments will provide 94 new homes, comprising a mix of affordable housing, housing for market rent and housing for sale, and will help to regenerate the town centre.

- **Adoption of Local Plan**

The Council adopted a new Local Plan in October 2017, covering the period 2011-2031. The plan sets out a clear framework for future development, including 17,660 new homes in the borough, and provides much greater certainty about the location and type of new development.



A clean, green and safe environment

- **Investment in Parks and Open Spaces**

Following a complete review of all play areas in the borough, 30 play areas have been replaced or improved. We are making major improvements at Mote Park, including the opening of an Adventure Zone and a new Visitor Centre.

- **Flood Resilience Measures**

The Council is part of the Medway Flood Partnership, which aims to reduce the risk of flooding in the Medway catchment. Amongst the Partnership's initiatives, it has started to install property flood resilience measures in homes at the greatest risk of flooding around the confluence of the Medway, Beult and Teise rivers.

- **Reducing flytipping**

The Council has made great progress in reducing flytipping. It has pursued enforcement action vigorously, with 52% of fly-tips where there is evidence available leading to legal action. 88% of flytips are cleared within two working days.



Regenerating the Town Centre

- **Public realm improvements**

Work has started on upgrading pavements and walkways in Week Street and Gabriels Hill. The changes complement a similar upgrade of the High Street and King Street, carried out in 2013. They will provide a level surface throughout, giving a more pedestrian feel, and will include features that reference Maidstone's history.

- **Lenworth House**

This building, a long-standing eyesore in a prominent position in the Town Centre, has been acquired by the Council and is being redeveloped to provide 14 new homes.



Securing a Successful Economy

- **Commercial Property Investment**

In order to generate a financial return and to support the local economy, the Council has acquired two groups of commercial / industrial units in the Borough, comprising 19 units in total.

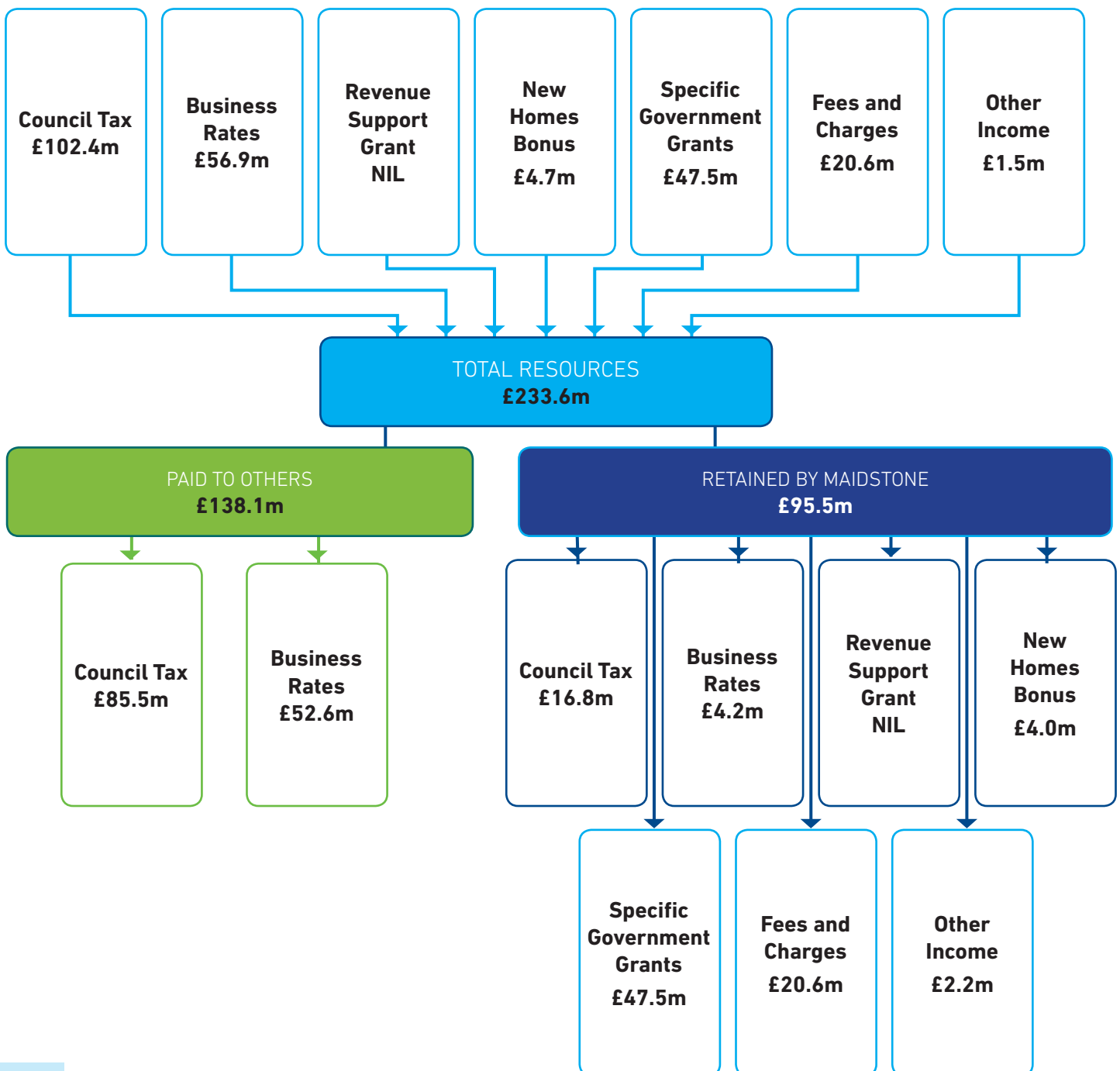
- **100% Business Rates Retention Pilot**

Along with the 14 other principal local authorities in Kent and Medway, the Council bid successfully to the government to pilot 100% Business Rates Retention in 2018/19, and is acting as Lead Authority for the Pilot. The Pilot will help the government design a new local government finance system and provides participating authorities with additional business rates income to help achieve financial sustainability and to promote housing and commercial growth.



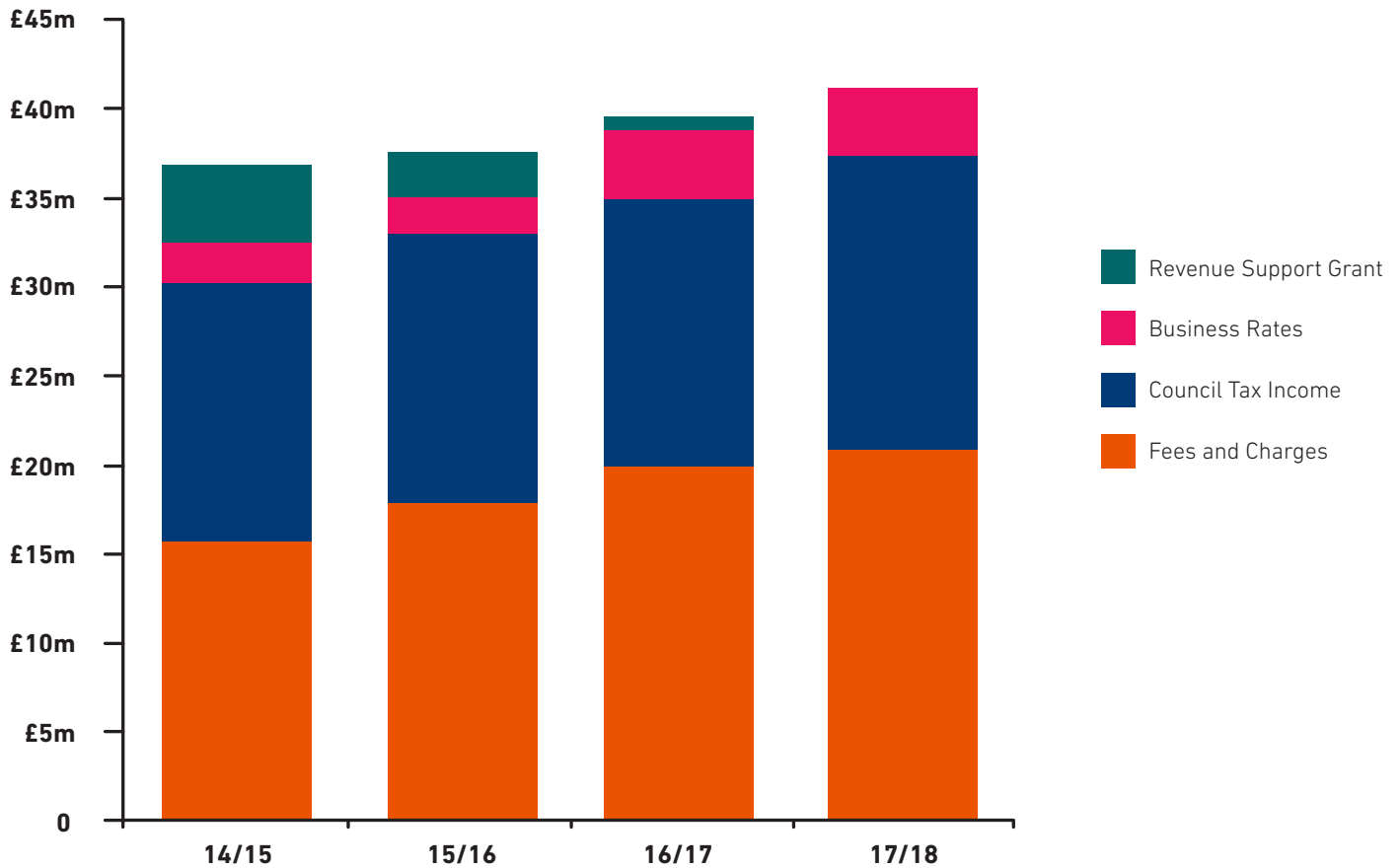
Financial Performance

Maidstone Council's financial turnover, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £234 million in 2017/18 (£233 million in 2016/17). The table below shows the flows of income and expenditure.



Income

The Council no longer receives Revenue Support Grant from central government. When setting the budget for its services, it depends entirely on income generated locally in Maidstone, comprising Council Tax, our share of Business Rates, and Fees and Charges. The Council does receive some specific grants, such as housing benefit subsidy, but does not have any discretion over how this money is spent.



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



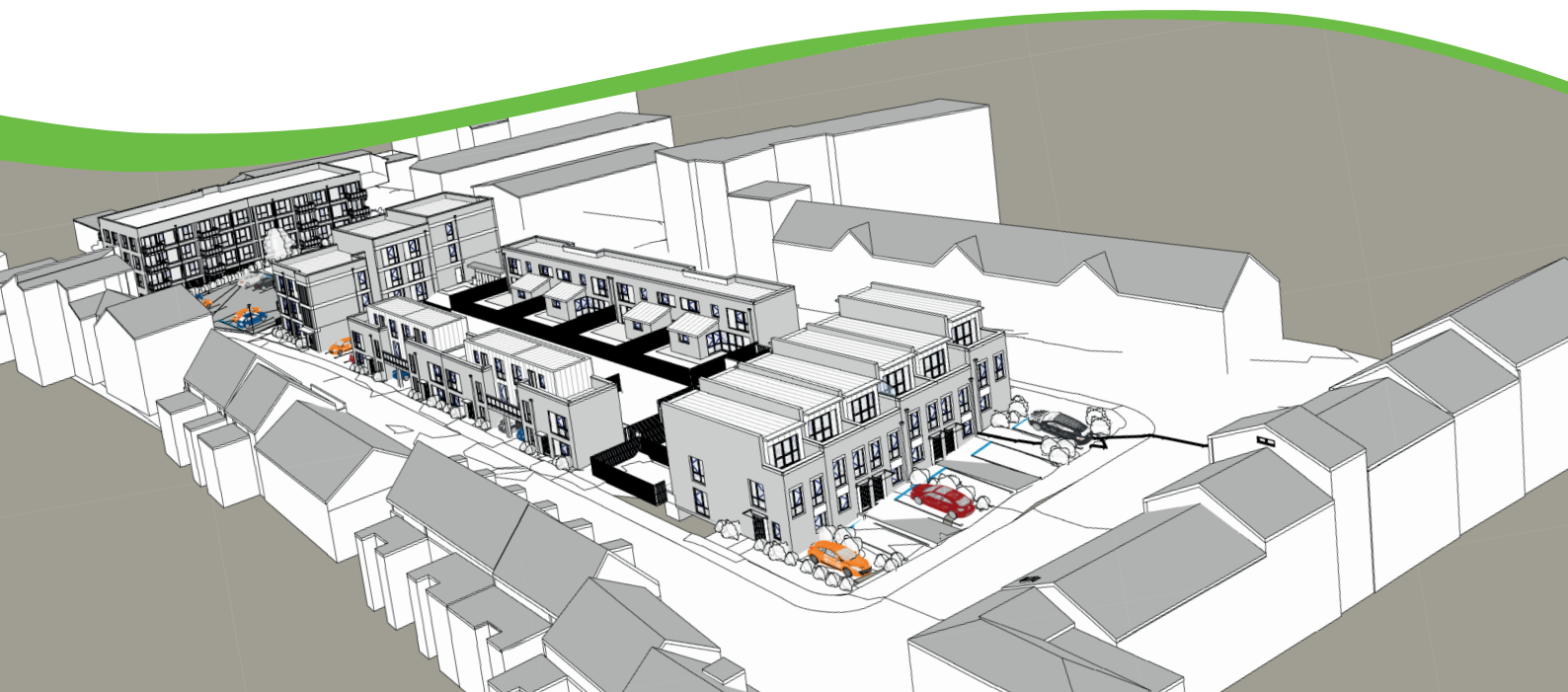
Expenditure

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

Delivering expenditure in line with budget is an important performance indicator. This objective was achieved in 2017/18. The outturn for the year was an overall underspend compared with the budget of £0.2 million.



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





Balance Sheet

The Balance Sheet shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets increased from £18.7 million to £27.3 million, mainly because of property revaluations and revised assumptions by our actuaries about the amount we need to set aside to pay current and former employees' pensions.

2016/17 £000		2017/18 £000
64,222	Property, Plant & Equipment	67,145
10,384	Heritage Assets	10,393
16,346	Investment Properties	19,976
463	Other Long Term Assets	517
31,502	Money owed to the Council	31,645
(15,823)	Money owed by the Council	(20,089)
(88,346)	Long Term Liabilities	(82,207)
18,748	Net Assets	27,380
17,846	Usable Reserves	12,446
902	Unusable Reserves	14,934
18,748	Total Reserves	27,380

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

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

Balance Sheet (continued)

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

Long term liabilities represents amounts owed by the Council but not due for payment within the next twelve months. This includes the pension fund liability, future payments due on the leisure centre contract and provisions made for business rates appeals.

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. £9.8 million of New Homes Bonus has been used in this way during the year (16/17 - £9.2 million).

Unusable Reserves derive from accounting adjustments and cannot be spent. The increase in this balance represents the statutory accounting treatment for movements in asset values, the pension liability and the Collection Fund deficit.

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

Capital Expenditure

During the year, £11.9 million was spent on delivering the projects identified within the Council's capital programme. These projects included:

- Purchase of 15 houses and apartments for use as temporary accommodation for homeless people
- Preparatory expenditure on new housing developments at Brunswick Street and Union Street
- Replacement and improvement of play areas across the borough
- First phase of a project to create an Adventure Zone at Mote Park
- Acquisition of 19 commercial / industrial units in the borough to hold as investment property

The Council has an ambitious capital programme for the coming five years, totalling £77 million. The two largest elements in the capital programme are the Council's housing and regeneration strategy and its commercial property investment strategy. The programme will be funded both through New Homes Bonus receipts and other internal resources, and through external borrowing, in line with the regulatory requirement that such borrowing be affordable, prudent and sustainable.

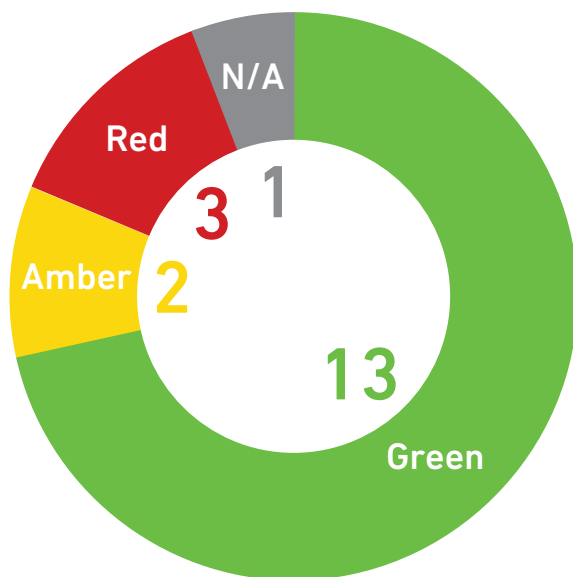
	Actual	Five year plan					Total
	17/18	18/19	19/20	20/21	21/22	22/23	
	£000	£000	£000	£000	£000	£000	£000
Housing Development and Regeneration	1,443	9,301	14,631	3,786	3,350	3,350	34,418
Temporary Accommodation	3,732	4,683	600	600	600	600	7,083
Disabled Facilities Grants	536	1,348	800	800	800	800	4,548
Flood Action Plan	5	500	500	63	0	0	1,063
Mote Park Dam works	0	1,300	600	0	0	0	1,900
Mote Park Visitor Centre	53	583	1,073	0	0	0	1,656
Mote Park Adventure Zone	483	1,098	375	0	0	0	1,473
Improvements to Play Areas	651	589	0	0	0	0	589
Property Investment Strategy	3,646	2,354	2,500	2,500	2,500	2,500	12,354
Infrastructure delivery	0	600	600	600	600	600	3,000
Town Centre Regeneration	154	2,830	0	0	0	0	2,830
Corporate Property improvements	83	874	175	175	175	175	1,574
Section 106 contributions	20	160	209	238	103	782	1,492
Other	1,080	2,492	329	362	0	0	3,183
	11,886	28,712	22,392	9,124	8,128	8,807	77,163



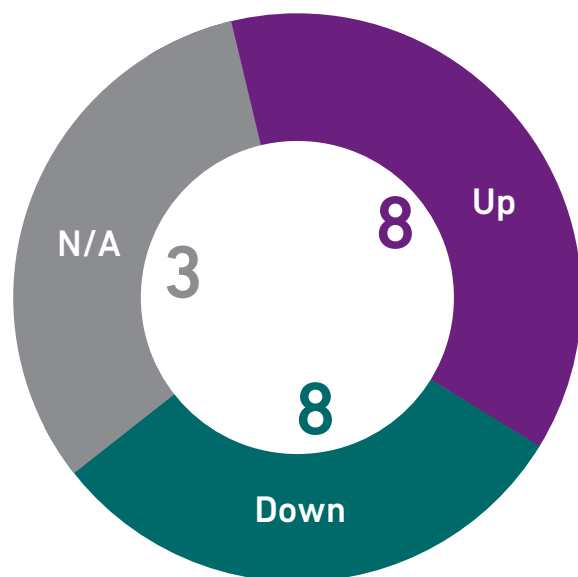
Key Performance Indicators

Key Performance Indicators are set for each Council priority in consultation with the relevant Service Committee. Performance against the indicator is judged in two ways: firstly on whether an indicator has achieved the target set; and secondly on whether performance has improved, been sustained or declined, compared to the same period in the previous year.

KPI STATUS



DIRECTION



PRIORITY 1: Keeping Maidstone Borough an attractive place for all

1 Providing a clean and safe environment

Performance Indicator	Service	Value	Target	Status	Last Year
Number of litter reports attended to	Waste & Recycling	522			N/A
The percentage of land and highways with acceptable levels of litter	Street Cleansing	99.16%	93.50%		
The percentage of land and highways with acceptable levels of detritus	Street Cleansing	95.50%	84.00%		
Percentage of fly tips resulting in enforcement action	Depot Services	52.3%	20.0%		N/A
Percentage of fly-tips cleared or assessed within 2 working days	Depot Services	88.08%	88%		
Percentage of household waste sent for reuse, recycling and composting (NI 192)	Waste & Recycling	52.28%	52.5%		

2 Encouraging good health and wellbeing

Performance Indicator	Service	Value	Target	Status	Last Year
Percentage spend and allocation of Disabled Facilities Grant Budget (YTD)	Housing & Health	100%	100%		
Number of completed home hazard grants	Housing & Health	2			N/A
Number of completed housing assistances	Housing & Health	62			N/A

PRIORITY 2: Securing a successful economy for the Borough

3 A home for everyone

Performance Indicator	Service	Value	Target	Status	Last Year
Processing of planning applications: Major applications (NI 157a)	Development Management	87.96%	85%		
Processing of planning applications: Minor applications (NI 157b)	Development Management	75.97%	85%		
Processing of planning applications: Other applications (NI 157c)	Development Management	91.20%	85%		
Number of affordable homes delivered (gross)	Housing & Enabling	226	200		
Number of households prevented from becoming homeless through the intervention of housing advice	Housing & Inclusion	474	300		
Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00)	Housing & Inclusion	99			
Number of households housed through housing register	Housing & Enabling	619	600		
Net additional homes provided (NI 154)	Planning Policy	1,286	880		

Data only indicator - reported for information but no target set



PRIORITIES 1 AND 2:

4 Ensuring there are good leisure and cultural attractions

Performance Indicator	Service	Value	Target	Status	Last Year
Percentage of all available tickets sold at the Hazlitt	Maidstone Culture & Leisure	67.72%	50%		
Number of students benefiting from the Museum's educational service	Museum	8,214	8,340		
Footfall at the Museum and Visitor Information Centre	Museum	52,613	68,000		
Contacts to the Visitor Information Centre	Museum	3067	6000		N/A

5 Regenerating the Town centre

Performance Indicator	Service	Value	Target	Status	Last Year
Percentage of vacant retail units in town centre	Regeneration & Economic Development	N/A*	11%	N/A	N/A
Footfall on High Street	Regeneration & Economic Development	12,378,195	10,600,000		
Business Rates income from the Town Centre	Regeneration & Economic Development	24,820,696			N/A

*Data for 2017/18 was not available at the time of publication

FUTURE PLANS

Given the importance of developing an appropriate vision for the future, work has started on development of a new Strategic Plan to replace the existing 2015-20 Plan. The Council is accordingly engaging with elected members, parish councils, residents, businesses and the voluntary sector to ensure that the Plan realises the aspirations of the whole community.

The Medium Term Financial Strategy (MTFS) sets out in financial terms how the Strategic Plan will be delivered. The current MTFS, which covers the years 2018/19 to 2022/23, will be updated in line with the new Strategic Plan.

The MTFS shows that the Council can deliver its plans within budget over the next two years. A key assumption is the relative certainty provided by the government's four year financial settlement for local authorities covering the period to 2019/20.

However, considerable uncertainty remains about the position for local authorities from 2020/21. Although Maidstone Borough Council no longer receives direct grant funding from central government, the framework for setting Council Tax, and the distribution of business rates collected locally between central government, precepting authorities and the Council itself is subject to change after 2020/21. The details will be critical in determining the level of resources available to the Council.

Given the uncertainty, the Council has planned for a range of feasible scenarios, characterised as favourable, neutral and adverse. In all scenarios, the Council will seek to continue making efficiency savings and generating additional income in order to optimise its financial position. Key elements in the MTFS include the Capital Programme, which is seen both as a means of delivering the Council's priorities, and as an opportunity to generate additional income locally within the framework of the prudential borrowing regime.

The Council is also part of Mid Kent Services (MKS), which provides shared services including Internal Audit, Revenues & Benefits, ICT Services, Human Resources & Payroll, Debt Collection and Legal Services. This offers greater service capacity and resilience and a broader base for overhead recovery.





RISK MANAGEMENT

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

The following table sets out what we have assessed as being the key corporate risks together with how the risk has changed between October 2017 and April 2018.

Risk Title & Movement		
a	Breakdown of Governance Controls	
b	Legal / Compliance Breaches	
c	Workforce Capacity & Skills	
d	Project Failure	
e	ICT Systems Failure / Security	
f	Poor Partner Relationships	
g	Housing Pressures Continue to Increase	
h	Delivery of the Local Plan Review by April 2022	
i	Financial Restrictions	
j	General Data Protection Regulations (GDPR)	
k	Major Contraction in Retail & Leisure Sectors	

Key

No change in risk score Reduction in risk score Risk added

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 2018.

Signed:



Mark Green, Director of Finance & Business Improvement

Date: 31st May 2018

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31st March 2017 & 2018

2016/17				2017/18		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Committee	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
59,492	(52,422)	7,070	Policy & Resources	59,368	(52,702)	6,666
13,672	(4,279)	9,394	Communities, Housing & Environment	14,207	(3,966)	10,241
9,428	(4,362)	5,066	Heritage, Culture & Leisure	9,796	(4,319)	5,477
8,047	(6,772)	1,275	Strategic Planning, Sustainability & Transportation	8,286	(7,178)	1,108
90,639	(67,834)	22,805	Cost Of Services	91,657	(68,165)	23,492
		586	Other Operating Expenditure (Note 9)	1,775	(839)	936
		1,797	Financing and Investment Income and Expenditure (Note 10)	2,314	(705)	1,609
		(25,863)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)		25,752	(25,752)
		(675)	(Surplus) or Deficit on Provision of Services			285
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(634)	(Surplus) or deficit on revaluation of property, plant & equipment assets			(1,350)
		14,603	Remeasurement of the Net Defined Benefit Liability			(7,567)
		13,969	Other Comprehensive Income and Expenditure			(8,917)
		13,294	Total Comprehensive Income and Expenditure			(8,632)

MOVEMENT IN RESERVES STATEMENT

For the years ending 31st March 2017 & 2018

Current Year	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2017 (Original)	17,343	437	66	17,846	4,236	22,082
Balance at 1st April 2017 (Restated)	17,343	437	66	17,846	902	18,748
Movement in Reserves during 2017/18						
Total Comprehensive Income and Expenditure	(285)	0	0	(285)	8,917	8,632
Adjustments between accounting basis & funding basis under regulation (Note 6)	(5,138)	86	(63)	(5,115)	5,115	(0)
Increase or Decrease in 2017/18	(5,423)	86	(63)	(5,400)	14,032	8,632
Balance at 31st March 2018	11,920	523	3	12,446	14,934	27,380

Comparative Year	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
Balance at 31st March 2016 (Restated)	18,852	321	130	19,303	12,740	32,042
Movement in Reserves during 2016/17						
Total Comprehensive Income and Expenditure	675	0	0	675	(13,969)	(13,294)
Adjustments between accounting basis & funding basis under regulation (Note 6)	(2,184)	116	(64)	(2,132)	2,132	(0)
Increase or Decrease in 2016/17	(1,509)	116	(64)	(1,457)	(11,837)	(13,294)
Balance at 31st March 2017	17,343	437	66	17,846	902	18,748

Opening balances reflect an adjustment to the deferred liability relating to Maidstone Leisure Centre following identification of a prior period error. Full details are disclosed within note 28.

BALANCE SHEET

As at 31st March 2017 & 2018

31st March 2017 (Original £000)	1st April 2017 (Restated) £000		Notes	31st March 2018 £000
64,222	64,222	Property, Plant & Equipment	18	67,145
16,346	16,346	Investment Property	19	19,976
10,384	10,384	Heritage Assets	20	10,393
444	444	Intangible Assets		477
19	19	Long Term Debtors		40
91,415	91,415	Long Term Assets		98,031
4,000	4,000	Short Term Investments	21	7,000
100	100	Inventories		110
15,791	15,791	Short Term Debtors	23	14,291
11,611	11,611	Cash & Cash Equivalents	24	10,244
31,502	31,502	Current Assets		31,645
11,576	11,576	Short Term Creditors	25	14,233
1,960	1,960	Provision for Business Rate Appeals	26	959
0	0	Other Provisions		296
655	655	Deferred Liability	28	521
3,592	3,592	Capital Grants Receipts in Advance	16	4,080
17,783	17,783	Current Liabilities		20,089
1,086	1,086	Provision for Business Rate Appeals	26	1,348
189	189	Other Provisions		184
243	3,577	Deferred Liability	28	3,057
81,534	81,534	Other Long Term Liabilities	32	77,618
83,052	86,386	Long Term Liabilities		82,207
22,082	18,748	Net Assets		27,380
17,846	17,846	Usable Reserves		12,446
4,236	902	Unusable Reserves	30	14,934
22,082	18,748	Total Reserves		27,380

Opening balances reflect an adjustment to the deferred liability relating to Maidstone Leisure Centre following identification of a prior period error. Full details are disclosed within note 28.

CASH FLOW STATEMENT

2016/17 £000		Notes	2017/18 £000
(675)	Net (surplus) or deficit on the provision of services		285
(8,170)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(8,846)
2,855	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	36	2,433
(5,990)	Net cash flows from Operating activities		(6,128)
(4,145)	Investing Activities	37	11,104
2,674	Financing Activities	38	(3,609)
(7,461)	Net increase or decrease in cash & cash equivalents		1,367
(4,150)	Cash & cash equivalents at the beginning of the reporting period		(11,611)
(11,611)	Cash & cash equivalents at the end of the reporting period		(10,244)

1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31st March 2017 & 2018

2016/17			2017/18			
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
5,485	1,585	7,070	Policy & Resources	5,133	1,533	6,666
8,839	555	9,394	Communities, Housing & Environment	7,588	2,653	10,241
626	4,440	5,066	Heritage, Culture & Leisure	1,777	3,700	5,477
(171)	1,446	1,275	Strategic Planning, Sustainability & Transportation	(1,091)	2,199	1,108
14,779	8,026	22,805	Net Cost Of Services	13,407	10,085	23,492
(13,270)	(10,210)	(23,480)	Other Income & Expenditure	(7,984)	(15,223)	(23,207)
1,509	(2,184)	(675)	(Surplus) or Deficit	5,423	(5,138)	285
		18,852	Opening General Fund Balance			17,343
		(1,509)	Less/Plus Surplus or (Deficit) on General Fund Balance in Year			(5,423)
		17,343	Closing General Fund Balance at 31st March			11,920

NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

Adjustments between Funding & Accounting Basis 2017/18				
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			1,327	1,327
Strategic Planning, Sustainability & Transportation			1,945	1,945
Communities, Housing & Environment			1,217	1,217
Policy & Resources	8,789	(3,651)	(4,489)	649
Net Cost of Services	8,789	(3,651)	0	5,138
Other income and expenditure from the Expenditure & Funding Analysis				0
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	8,789	(3,651)	0	5,138

Note i – Adjustments for Capital Purposes

- This column adjusts Policy & Resources Committee for the statutory adjustments put through in respect of depreciation, amortisation of intangible assets, revenue funding from capital under statute, and other capital charges.

Note ii – Net Charge for Pensions Adjustments

- This column adjusts Policy & Resources Committee for the statutory adjustments put through in respect of IAS 19 Employee Benefits pension related income and expenditure.

Note iii – Other Differences

- This column adjusts the service committees for various recharges such as accommodation, telephones, staff recharges and IT recharges as when they are reported they only include direct costs.

EXPENDITURE AND INCOME ANALYSED BY NATURE

	2016/17 £000	2017/18 £000
Expenditure		
Employee Benefit Expenses	19,580	20,836
Other Services Expenses	94,034	90,477
Support Service Recharges	21,484	22,995
Depreciation, Amortisation, Impairment	6,554	7,301
Interest Payments	151	125
Precepts & Levies	1,499	1,666
Gain on the Disposal of Assets	(1,210)	(1,389)
Total Expenditure	142,092	142,011
Income		
Fees, Charges & Other Service Income	(18,448)	(19,915)
Interest & Investment Income	(186)	(120)
Income from Council Tax & NDR	(40,259)	(38,741)
Government Grants & Contributions	(53,326)	(52,660)
Internal Recharges	(30,548)	(30,290)
Total Income	(142,767)	(141,726)
Surplus or (Deficit) on the Provision of Services	(675)	285

2 - ACCOUNTING POLICIES

a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2017/18 financial year and its position at the year-end of 31st March 2018. 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 2017/18, supported by International Financial Reporting Standards (IFRS).

The following accounting concepts have been given precedence in the preparation of the accounts:

- Going concern
- Primacy of legislative requirements

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

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.

- Accruals are recognised where the value exceeds £5,000.

c) 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 2017/18. 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 2017/18 and accounted for within the Policy & Resources Committee line on the Comprehensive Income & Expenditure Statement.

d) 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.

e) Value Added Tax

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

Further accounting policies can be found throughout these accounts with the notes to which they relate.

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 Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.
- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor Park. The Council recharges the cost of providing these services to Cobtree Manor Park, but does not seek to generate a surplus from the arrangement.

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 2018 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Asset valuations & depreciation	<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 £4.3m.</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>
Pensions Liability	<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 £3.236m. 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 £7.061m.</p>
Arrears	<p>At 31st March 2018 the Council had a balance of sundry debtors for £12.761m. A review of significant balances suggested that a provision of doubtful debts for £3.083m was appropriate. There is uncertainty as to whether or not such an allowance is sufficient.</p>	<p>If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £1.5m to be set aside as an allowance.</p>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Non-Domestic Rates Appeals	<p>The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £5.765m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £2.306m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA.</p> <p>There is uncertainty regarding the value of potential losses against the 2017 valuation list. A provision of 2.1p per pound of rateable value is reflected in the above total.</p>	<p>If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.577m would be required overall, and the council's share of the provision would increase by £0.203m.</p>

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

International Accounting Standard 8 requires the Council to disclose the expected impact of new standards that have been issued, but not yet adopted.

Accounting Standards that have been issued, but not yet adopted include:

- IFRS 9 – Financial Instruments
- IFRS 15 – Revenue from Contracts with Customers
- IFRS 16 – Leases
- IAS 7 Statement of Cash Flows (Disclosure Initiative)

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

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.

2017/18	Usable Reserves		
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	3,651		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(2,871)		
Holiday Pay (transferred to the Accumulated Absences Account)	(5)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	7,448		
Total Adjustments to Revenue Resources	8,223	0	0
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(892)	897	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(654)		
Capital expenditure finance from revenue balances (transfer to the Capital Adjustment Account)	(10,274)		
Total Adjustments between Revenue and Capital Resources	(11,820)	897	0
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		(811)	
Application of capital grants to finance capital expenditure	(1,541)		(63)
Total Adjustments to Capital Resources	(1,541)	(811)	(63)
Total Adjustments	(5,138)	86	(63)

2016/17 Comparative Figures	Usable Reserves		
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	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		
Total Adjustments to Revenue Resources	10,804	0	0
Adjustments between Revenue and Capital Resources			
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 finance from revenue balances (transfer to the Capital Adjustment Account)	(9,624)		
Total Adjustments between Revenue and Capital Resources	(11,275)	1,075	0
Adjustments to Capital Resources			
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		
Total Adjustments to Capital Resources	(1,713)	(959)	(64)
Total Adjustments	(2,184)	116	(64)

Accounting Policy – Charges to Revenue for Non-Current Assets

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

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

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

7 – EARMARKED RESERVES

Within the General Fund balance of £11.920m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2017 £000	Contributions to/from Balances £000	31st March 2018 £000
New Homes Bonus funding for Capital	7,215	(5,810)	1,404
Local Plan	336	(136)	200
Neighbourhood Planning	64	6	70
Trading Accounts	243	(192)	51
Business Rates Growth	158	534	692
Total Earmarked Reserves	8,016	(5,598)	2,418
Unallocated Balances	9,327	175	9,502
Total General Fund Balance	17,343	(5,423)	11,920

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.

Accounting Policy - Reserves

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

The Council has created a series of Earmarked Reserves to manage more effectively the resources set aside for specific activities.

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

8 - MATERIAL ITEMS OF INCOME & EXPENSE

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

9 - OTHER OPERATING EXPENDITURE

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

	2016/17 £000	2017/18 £000
Parish Council precepts	1,499	1,666
Levies	109	109
(Gains)/losses on the disposal of non-current assets	(1,022)	(839)
	586	936

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.

	2016/17 £000	2017/18 £000
Interest payable and similar charges	183	157
Net Interest on the Net Defined Benefit Liability	2,267	2,157
Interest receivable and similar income	(187)	(121)
Income & Expenditure in relation to investment properties and changes in their fair value	(466)	(584)
	1,797	1,609

11 - TAXATION & NON-SPECIFIC GRANT INCOMES

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

Credited to Taxation & Non Specific Grant Income	2016/17 £000	2017/18 £000
Council tax income	15,690	16,839
Revenue Support Grant	844	0
Income from Retained Business Rates	23,218	22,386
Tariff Payable	(19,654)	(18,060)
Levy Payable	(117)	(91)
Non-ringfenced Government Grants	5,882	4,678
Total	25,863	25,752
Credited to Services		
Housing Benefit Subsidy	46,900	45,760
Non-Domestic Rates - Cost of Collection	206	204
Council Tax Administration	164	158
New Legislation	358	322
Other Grants	570	1,083
Total	48,198	47,527

Accounting Policy – Government Grants & Contributions

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

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

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

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

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

12 - 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	2016/17	2017/18		(Surplus)/ Deficit £000
	(Surplus)/ Deficit £000	Income £000	Expenditure £000	
Market	45	(287)	383	96
Parkwood Industrial Estate	(343)	(339)	34	(305)
Mote Park Café	150	(314)	450	136
Commercial Waste	85	(233)	308	75
Debt Recovery	4	(765)	733	(32)
Pay & Display Car Parking	(1,600)	(2,406)	675	(1,731)
On-Street Car Parking	(198)	(772)	604	(168)
Direct Services	7	(414)	452	38
Net (Surplus)/Deficit	(1,850)	(5,530)	3,639	(1,891)

13 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2017/18 totalled £348,573. (£345,934 in 2016/17). 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:

<https://maidstone.gov.uk/councillorallowances>

14 – OFFICERS REMUNERATION

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

2017/18	Salary (Including Fees) £000	Other Payments, Allowances & Benefits in Kind £000	Total Remuneration excluding Pension Contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Executive	123	16	139	19	158
Director of Finance & Business Improvement	100	1	101	14	115
Director of Regeneration & Place	100	2	102	14	116
Director of Mid-Kent Services	86	2	88	12	100

2016/17	Salary (including Fees & Allowances) £000	Other Payments, Allowances & Benefits in Kind £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

*Joined MBC June 2016

**Promoted from Head of Service to Interim Director August 2016

Senior Officers are defined as those who sit on the Corporate Leadership Team. There are no other officers who report directly to the Chief Executive and receive more than £50,000 remuneration for the year.

The Director of Mid-Kent Services is jointly funded with Swale and Tunbridge Wells Borough Councils, each making equal contributions. Therefore Maidstone's share of the salary is one-third of the value above (£33,173). The Monitoring Officer (Head of Mid Kent Legal Services) also sits on the Corporate Leadership Team but is paid by Swale Borough Council. Details of her remuneration are therefore within their accounts.

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

Remuneration Band	2017/18 No.of employees	2016/17 No.of employees
£50,000 - £54,999	5	5
£55,000 - £59,999	5	6
£60,000 - £64,999	3	2
£65,000 - £69,999	1	0
£70,000 - £74,999	2	2
£75,000 - £79,999	1	2
£80,000 - £84,999	2	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18	2016/17	2017/18
							£000	£000
£0 - £20,000	0	0	9	0	9	0	45	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	0	0	0	0	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	0	0	9	0	9	0	45	0

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 UK LLP.

	2016/17 £000	2017/18 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	50	50
Rebate from Public Sector Audit Appointments Limited	0	(8)
Fees payable for the certification of grant claims and returns during the year	13	14
Non-audit Services	16	0
Total	79	56

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:

	2016/17 £000	2017/18 £000
Balance at start of year:	2,604	3,592
Grants Received	2,773	2,333
Transfers to/from Grants Unapplied	0	(63)
Other Transfers	0	(13)
Funding used for capital expenditure	(1,785)	(1,769)
Balance at end of year:	3,592	4,080

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 1- the Expenditure and Funding Analysis.

Members and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2017/18 is shown in Note 13.

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

The Director of Regeneration and Place and Head of Housing and Community Services are both Directors of Maidstone Property Holdings Limited, which is a wholly owned subsidiary of the Council. The Balance Sheet as at 31st March 2018, reflects £76,000 which is payable from Maidstone Property Holdings to Maidstone Borough Council, relating to income and expenditure for the 2017/18 financial year.

18 - PROPERTY, PLANT & EQUIPMENT

Movements on Balances

Movements in 2017/18	Infrastructure Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations								
At 1st April 2017	4,318	48,467	13,404	1,248	4,787	3,167	5,666	81,057
Additions	7	3,860	1,063	476	18	74	2,023	7,521
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(1,250)	0	0	0	0	0	(1,250)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(1,002)	0	0	0	0	0	(1,002)
Derecognition of assets	0	(57)	0	0	0	0	0	(57)
Other movements in cost or valuation	(4)	3,235	(2)	0	(3)	0	(3,235)	(9)
At 31st March 2018	4,321	53,253	14,465	1,724	4,802	3,241	4,454	86,260
Accumulated Depreciation & Impairment								
At 1st April 2017	(2,936)	(4,657)	(5,983)	(788)	(2,471)	0	0	(16,835)
Depreciation charge	(211)	(2,931)	(924)	(386)	(428)	0	0	(4,880)
Depreciation written out to the Revaluation Reserve	0	2,600	0	0	0	0	0	2,600
Derecognition of assets	0	0	0	0	0	0	0	0
At 31st March 2018	(3,147)	(4,988)	(6,907)	(1,174)	(2,899)	0	0	(19,115)
Net Book Value								
At 31st March 2018	1,174	48,264	7,558	550	1,903	3,241	4,454	67,145
At 31st March 2017	1,382	43,810	7,421	460	2,316	3,167	5,666	64,222

Movements in 2016/17	Infrastructure Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations								
At 1st April 2016	4,008	44,994	12,967	2,052	4,675	3,142	2,032	73,870
Additions	419	3,701	1,071	177	647	25	3,634	9,674
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	1	0	0	0	0	0	1
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(130)	0	0	0	0	0	(130)
Transfers between categories	(108)	(26)	(634)	(981)	(535)	0	0	(2,284)
Other movements in cost or valuation	(1)	(73)	0	0	0	0	0	(74)
At 31st March 2017	4,318	48,467	13,404	1,248	4,787	3,167	5,666	81,057
Accumulated Depreciation & Impairment								
At 1st April 2016	(2,828)	(3,363)	(5,709)	(1,435)	(2,651)	0	0	(15,986)
Depreciation charge	(216)	(1,883)	(911)	(285)	(355)	0	0	(3,650)
Depreciation written out to the Revaluation Reserve	0	563	0	0	0	0	0	563
Transfers between categories								0
Derecognition of assets	108	26	637	932	535	0	0	2,238
At 31st March 2017	(2,936)	(4,658)	(5,983)	(788)	(2,471)	0	0	(16,835)
Net Book Value								
At 31st March 2017	1,382	43,810	7,420	460	2,316	3,167	5,666	64,222
At 31st March 2016	1,182	41,628	7,256	618	2,024	3,142	2,032	57,882

Additions for 2017/18 include the acquisition of a number of properties, the most significant of which are as follows:

- Fifteen houses to be used to accommodate temporarily homeless families;
- Two properties to enable the redevelopment of the Brunswick Street car park site.

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

Analysis of Land & Buildings Movements 2017/18	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Convenience	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations															
At 1st April 2017	6,662	1,505	1,748	2,864	1,462	197	8,071	1,050	14,042	583	1,680	3,385	4,085	1,133	48,467
Additions		133			3,697		29								3,860
Revaluation increases/(decreases) recognised in the Revaluation Reserve			85	564					(1,751)	60			(125)	(83)	(1,250)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(227)			13	(395)	10						(403)			(1,002)
Other movements in cost or valuation	739				747							1,691			3,178
At 31st March 2018	7,174	1,639	1,833	3,441	5,512	207	8,100	1,050	12,291	643	1,680	4,673	3,960	1,050	53,253
Accumulated Depreciation & Impairment															
At 1st April 2017	12	(135)	(56)	(618)	(438)	(39)	(1,136)	(85)	(1,331)	(125)	(102)	(168)	(280)	(156)	(4,657)
Depreciation charge		(67)	(91)	(319)	(552)		(379)	(53)	(583)	(83)	(101)	(489)	(176)	(41)	(2,931)
Depreciation written out to the Revaluation Reserve			86	568				84	1,335	90			281	155	2,600
Other movements in cost or valuation															0
At 31st March 2018	12	(202)	(60)	(368)	(990)	(39)	(1,515)	(54)	(579)	(118)	(203)	(657)	(175)	(42)	(4,985)
Net Book Value															
At 31st March 2018	7,186	1,437	1,773	3,073	4,523	168	6,585	997	11,712	525	1,477	4,015	3,785	1,008	48,264
At 31st March 2017	6,674	1,370	1,692	2,246	1,024	158	6,935	965	12,711	458	1,578	3,217	3,805	977	43,811

Analysis of Land & Buildings Movements 2016/17	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Convenience	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations															
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)
At 31st March 2017	6,662	1,505	1,748	2,864	1,462	197	8,071	1,050	14,042	583	1,680	3,385	4,085	1,133	48,467
Accumulated Depreciation & Impairment															
At 1st April 2016	12	(68)	(34)	(476)	(292)	(39)	(757)	(64)	(666)	(62)	(590)		(210)	(117)	(3,363)
Depreciation charge		(67)	(22)	(142)	(146)		(379)	(21)	(665)	(63)	(101)	(168)	(70)	(39)	(1,883)
Depreciation written out to the Revaluation Reserve											563				563
Other movements in cost or valuation											26				26
At 31st March 2017	12	(135)	(56)	(618)	(438)	(39)	(1,136)	(85)	(1,331)	(125)	(102)	(168)	(280)	(156)	(4,657)
Net Book Value															
At 31st March 2017	6,674	1,370	1,692	2,246	1,024	158	6,935	965	12,711	458	1,578	3,217	3,805	977	43,810
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

Community Assets have all previously been revalued at £1 each, in accordance with the accounting policy. 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 above.

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

As at 31st March 2018 the Council had the following capital commitments:

Project	£000
Mote Park Adventure Zone	667
Public Realm Project - Phase 3	2,830
Total	3,497

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at current value is revalued at least every 5 years. All valuations were carried out externally by 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 January 2018 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	4,321	3,241	475	14,465	1,724	4,802	4,454	33,482
Valued at current value as at:								
31st March 2015			16,006					16,006
31st March 2016			1,696					1,696
31st March 2017			5,058					5,058
31st March 2018			30,018					30,018
Total Cost or Valuation	4,321	3,241	53,253	14,465	1,724	4,802	4,454	86,260

Accounting Policy – Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer. The useful lives range from 4 to 20 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.

19 - INVESTMENT PROPERTIES

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

	2016/17 £000	2017/18 £000
Balance at start of the year	16,310	16,346
Additions	36	3,659
Net gains/losses from fair value adjustments	(0)	(29)
Balance at end of year	16,346	19,976

During the year the Council purchased two sets of industrial units on the Parkwood Trading Estate.

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

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

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

Accounting Policy – Investment Properties

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

Investment properties are measured initially at cost and subsequently at fair value, based on the highest and best use value of the asset from the market participant's perspective. Investment properties are not depreciated and an annual valuation programme ensures that they are held at highest and best use value at the Balance Sheet date. Gains and losses on revaluation are posted to the Financing and Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement. The same treatment is applied to gains and losses on disposal.

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

Accounting Policy – Fair Value Measurement

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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 2017	9,090	480	515	308	10,393
Additions					0
31st March 2018	9,090	480	515	308	10,393
1st April 2016	9,090	471	515	308	10,384
Additions		9			9
31st March 2017	9,090	480	515	308	10,393

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.

Accounting Policy – Heritage Assets

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

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 2017	31st March 2018	31st March 2017	31st March 2018
	£000	£000	£000	£000
Investments				
Loans & receivables	0	25	15,856	17,400
Available-for-sale financial assets	0	0	0	0
	0	25	15,856	17,400
Debtors				
Loans & receivables	0	0	7,924	9,560
Creditors				
Financial liabilities at amortised cost	0	0	8,551	5,578
Other Long Term Liabilities				
Finance Lease Liabilities at amortised cost	3,577	3,057	655	521

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	31st March	31st March	31st March
	2017	2018	2017	2018
	£000	£000	£000	£000
Income:				
Loans & Receivables	0	0	179	86
Available-for-sale Financial Assets	0	0	7	34
Other Interest	0	0	1	1
Total	0	0	187	121

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.

Accounting Policy – Financial Instruments

Financial Liabilities:

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

Financial Assets:

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.

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 1st March 2017 in the Annual Treasury Management Strategy, which can be viewed on the Council's website – www.maidstone.gov.uk. A summary of the main points of the 2017/18 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 2017/18

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

- To run down balances to fund the Capital Programme until such a time that prudential borrowing will be needed.
- Majority of funds invested short term to be available when needed to fund the Council's liabilities. Longer term investment limit reduced from £8m down to £5m.
- No borrowing is expected within 2017/18, except for short term liquidity purposes.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

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

As at 31st March 2018 investments were held with the following institutions:

	31st March 2017 £000	31st March 2018 £000
AAA rated Institutions	5,810	1,400
AA+ rated Institutions	0	0
AA rated Institutions	2,046	0
AA- rated Institutions	0	3,000
A+ rated Institutions	0	6,000
A rated Institutions	8,000	0
A- rated Institutions	0	0
BBB+ rated Institutions	0	0
Unrated Local Authorities	0	7,000
UK Government	0	0
Total	15,856	17,400

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 £9.063m (£5.030m 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 2017/18, 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.

	31st March 2017 £000	31st March 2018 £000
Call Accounts/Money Market Funds	8,856	10,400
Receivables	7,000	7,000
Total	15,856	17,400

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

	2016/17 £000	2017/18 £000
Central government bodies	3,297	1,106
Other local authorities	4,833	4,159
Other entities and individuals	11,422	12,736
Total	19,552	18,001

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

	2016/17 £000	2017/18 £000
Excess Charges Provision	605	625
Sundry Bad Debts Provision	3,156	3,085
Total	3,761	3,710

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £14.291m.

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

	£000	£000
Council Tax payers	881	948
Business Rate payers	1,636	1,358
Capital debtors	605	491
General debtors	6,798	8,280
Payments in Advance	584	696
Other miscellaneous amounts	918	963
Total	11,422	12,736

24 - CASH & CASH EQUIVALENTS

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

	2016/17 £000	2017/18 £000
Cash held by the Council	10	14
Bank current accounts	(254)	(170)
Short-term deposits	11,855	10,400
Total	11,610	10,244

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

Accounting Policy – Cash & Cash Equivalents

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

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.

25 – CREDITORS

Short Term

	2016/17 £000	2017/18 £000
Central government bodies	2,845	1,593
Other local authorities	2,761	5,127
Other entities and individuals	5,970	7,513
Total	11,576	14,233

The movement in the balances for 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:

	2016/17 £000	2017/18 £000
General creditors	2,799	2,322
Capital creditors	141	462
Council tax payers	189	179
Business Rate payers	857	750
Receipts in advance	1,007	944
Deposits	936	2,785
Retentions	41	71
Total	5,970	7,513

26 - PROVISIONS

Provision for Business Rates Appeals

	2016/17	2017/18
	£000	£000
Business Rates Appeals - Current	609	1,219
Business Rates Appeals - Backdated	2,437	1,087
Total	3,046	2,306

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.

The provision is split between long-term and short-term liabilities on the Balance Sheet.

Accounting Policy – Provisions

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

Provisions are measured at best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each 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.

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 Manor Estate. The object of this trust is to hold Cobtree Manor and Cobtree Manor Estate for the benefit of the inhabitants of Maidstone and other members of the general public.

The assets and liabilities of the Trust as at 31st March 2018 are summarised in the following table. The figures for 2016/17 are the audited figures, which differ from those in the 2016/17 Statement of Accounts, as the audit took place after that was published.

	2016/17 £000	2017/18 £000
Fixed Assets:		
Intangible Assets	25	13
Tangible Assets	2,870	2,509
Investment Property	635	825
Investments	874	856
	4,404	4,203
Current Assets	190	223
Current Liabilities	78	97
Total assets less current liabilities	4,516	4,329
Total Charitable Funds	4,516	4,329

Gross expenditure in 2017/18 totalled £611,150 (£573,960 in 2016/17). Gross income in 2017/18 totalled £547,797 (£541,771 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 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

	31st March 2017 £000	1st April 2017 (restated) £000	31st March 2018 £000
Balance outstanding at start of year	1,527	4,861	4,232
Repayment of principal	(629)	(629)	(654)
Balance outstanding at end of year	898	4,232	3,578

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.

Prior Period Error

The accounting treatment for this arrangement has been reviewed during the year, and the balance as at 31st March 2017 has been adjusted to reflect changes that have been made as a result. The principal element of the loan was £7.406m and this is written down annually by the value of the agreed repayments. In addition entries totalling £3.334m had been put through to reflect the value of the works that had been done to the leisure centre under the terms of the agreement with Serco.

However this caused the balance outstanding to not reconcile with the amount of principal due to be repaid, so upon review we believe this was incorrect treatment. The other side of the entries were debited to Property, Plant & Equipment (Land & Buildings), however these entries have subsequently been superseded by the revaluation of the leisure centre. It has therefore been decided that this balance should be corrected through the Capital Adjustment Account. As it was considered impracticable to determine the period specific effects of this error on earlier periods, the opening balance of the liability and unusable reserves at 1 April 2017 have been restated on the balance sheet and supporting notes.

The movements are summarised below:

Movement in Reserves Statement

	31st March 2017 £000	1st April 2017 (restated) £000	31st March 2018 £000
Unusable reserves at 31st March 2016	16,074	12,740	902
Increase or decrease in 2016 / 17	(11,838)	(11,838)	14,032
Unusable reserves at 31st March / 1st April 2017	4,236	902	14,934

This reflects a movement of £3.334m within the capital adjustment account, reversing entries previously debited to the reserve in recognition of revaluation movements and capital additions to the leisure centre.

Balance Sheet

	31st March 2017 £000	1st April 2017 (restated) £000	31st March 2018 £000
Balance outstanding at start of year	1,527	4,861	4,232
Repayment of principal	(629)	(629)	(654)
Balance outstanding at end of year	898	4,232	3,578

This adjustment corrects the liability to show the actual balance outstanding under the Maidstone Leisure Centre contract.

Capital Adjustment Account

	31st March 2017 £000	1st April 2017 (restated) £000	31st March 2018 £000
Balance at 31st March / 1st April 2016	57,603	54,269	
Balance at 31st March / 1st April 2017	64,102	60,768	66,726

Accounting Policy – Deferred Liability

Deferred Liabilities are recognised under the terms of IFRIC 12 (IFRS Interpretations Committee) and the arrangement is recognised as a service concession, and accounted for accordingly. This generally involves the grantor (the Council) conveying to the operator (Serco) for the period of the concession the right to provide services that give the public access to major economic and social facilities, in this instance Maidstone Leisure Centre.

Accounting Policy – Minimum Revenue Provision

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

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

29 – CAPITAL RECEIPTS RESERVE

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

	31st March 2017 £000	31st March 2018 £000
Balance at 1st April	325	437
Capital Receipts Received	1,071	897
Capital Receipts Applied	(959)	(811)
Balance at 31st March	437	523

30 - UNUSABLE RESERVE

	1st April 2017 (Original)	31st March 2017 (Restated) £000	31st March 2018 £000
Revaluation Reserve	26,751	26,751	28,036
Capital Adjustment Account	64,102	60,768	66,726
Deferred Capital Receipts Reserve	19	19	11
Pensions Reserve	(81,534)	(81,534)	(77,618)
Collection Fund Adjustment Account	(4,912)	(4,912)	(2,037)
Accumulated Absences Account	(190)	(190)	(184)
Total Unusable Reserves	4,236	902	14,934

Opening balances reflect an adjustment to the deferred liability relating to Maidstone Leisure Centre following identification of a prior period error. Full details are disclosed within note 28.

a) Revaluation Reserve

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

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

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

	31st March 2017 £000	31st March 2018 £000
Balance at 1st April	26,223	26,751
Upward revaluation of assets	807	1,538
Downward revaluation of assets	(243)	(188)
Additions and Disposals	0	(4)
Difference between fair value depreciation and historical cost depreciation	(35)	(61)
Balance at 31st March	26,751	28,036

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.

The opening balance for 2016/17 has been adjusted to reflect the changes made to the deferred liability account as outlined in note 28.

	31st March 2017 £000	31st March 2018 £000
Balance at 1st April	54,269	60,768
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(3,650)	(4,880)
Amortisation of intangible assets	(165)	(114)
Prior Year Adjustments	72	(58)
Revaluation Gains/Losses on Property, Plant & Equipment	(179)	0
Revenue expenditure funded from capital under statute	(2,527)	(1,109)
Write-off of non-enhancing capital expenditure	(83)	(195)
	(6,531)	(6,356)
Adjusting amounts written out of the Revaluation Reserve	34	(935)
Net written out amount of the cost of non-current assets consumed in the year	(6,497)	(7,291)
Capital financing applied in the year:		
Sums set aside for Debt Repayment	629	654
Use of the Capital Receipts Reserve to finance new capital expenditure	959	811
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,785	1,541
Capital expenditure charged against the General Fund balance	9,624	10,272
	12,997	13,278
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(0)	(29)
Balance at 31st March	60,768	66,726

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.

	2016/17 £000	2017/18 £000
Opening balance at 1 April	64,641	81,534
Remeasurements of the net defined liability	14,603	(7,567)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	5,691	7,013
Employer's pensions contributions	(3,401)	(3,362)
Closing balance at 31 March	81,534	77,618

d) Collection Fund Adjustment Account

	31st March 2017 £000	31st March 2018 £000
Balance at 1st April	2,957	4,912
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	99	(388)
- Non-domestic Rates	1,856	(2,487)
Balance at 31st March	4,912	2,037

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.

	2016/17	2017/18
	£000	£000
Capital Investment		
Property, Plant & Equipment	9,533	7,521
Investment Properties	38	3,657
Intangible Assets	182	142
Non-enhancing capital expenditure	88	195
Revenue Expenditure Funded from Capital Under Statute	2,527	1,109
	12,368	12,624
Sources of Finance		
Capital receipts	959	811
Government grants & other contributions	1,785	1,541
New Homes Bonus	9,287	9,815
Other Revenue Contributions	337	457
	12,368	12,624

The increase in Investment Properties includes the acquisition of a number of new industrial units on the Parkwood Trading Estate.

Accounting Policy – Revenue Expenditure Funded from Capital Under Statute

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

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:

	2016/17	2017/18
	£000	£000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	3,407	4,856
- Past service costs including curtailments	17	0
Financing and Investment Income & Expenditure:		
- Net interest expense	2,267	2,157
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	5,691	7,013
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)	14,979	717
- Actuarial gains and losses arising on changes in financial assumptions	(35,909)	6,850
- Actuarial gains and losses arising on changes in demographic assumptions	3,244	0
- Experience gains and losses on defined benefit obligation	3,015	0
- Other actuarial gains and losses	68	0
Total Post Employment Benefit Charged to the CI&ES	(8,912)	14,580
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	5,691	7,013
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,401)	(3,362)

Curtailments

There were no employees who become entitled to unreduced early retirement benefits during the year.

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 (2016/17 £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:

	2016/17	2017/18
	£000	£000
Present value of funded obligation	183,756	182,032
Fair value of plan assets	104,482	106,524
Contributions by scheme participants	79,274	75,508
Present value of unfunded obligation	2,260	2,110
Net liability arising from defined benefit obligation	81,534	77,618

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

	2016/17	2017/18
	£000	£000
Opening fair value of Scheme assets	87,447	104,482
Interest on assets	3,128	2,801
Return on assets less interest	15,035	769
Actuarial gains/losses	68	0
Administration expenses	(56)	(52)
Contributions by employer including unfunded	3,401	3,362
Contributions paid by scheme participants	843	829
Estimated benefits paid plus unfunded net of transfers in	(5,384)	(5,667)
Closing fair value of Scheme assets	104,482	106,524

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

	2016/17	2017/18
	£000	£000
Opening balance at 1 April	152,088	186,016
Current Service cost	3,407	4,856
Interest cost	5,395	4,958
Remeasurement (gains) and losses		
- Change in financial assumptions	35,909	(6,850)
- Experience loss/(gain) on defined benefit obligation	(3,015)	0
Changes in demographic assumptions	(3,244)	0
Past service costs, including curtailments	17	0
Estimated benefits paid net of transfers in	(5,211)	(5,498)
Contributions by Scheme participants	843	829
Unfunded pension payments	(173)	(169)
Closing balance at 31 March	186,016	184,142

Local Government Pension Scheme Assets

	31st March 2017		31st March 2018	
	£000	%	£000	%
Equities	73,738	70.6%	71,083	66.7%
Gilts	779	0.7%	815	0.8%
Other Bonds	10,178	9.7%	10,185	9.6%
Property	13,020	12.5%	13,394	12.6%
Cash	2,669	2.6%	3,530	3.3%
Absolute return fund	4,098	3.9%	7,517	7.1%
Total	104,482	100.0%	106,524	100.0%

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

	2016/17	2017/18
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	23.0	23.1
- Women	25.0	25.2
Longevity at 65 for future pensioners		
- Men	25.1	25.3
- Women	27.4	27.5
Financial Assumptions		
RPI increases	3.60%	3.35%
CPI increases	2.70%	2.35%
Salary increases	4.20%	3.85%
Pension increases	2.70%	2.35%
Discount Rate	2.70%	2.55%

The long term assumption made by the actuary is that salaries will increase at 1.5% p.a. above CPI. However, a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI has been allowed for, which is broadly in line with the assumptions made by the Council at budget setting stage.

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	180,906	184,142	187,440
- Projected Service Cost	4,455	4,570	4,688
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	184,473	184,142	183,814
- Projected Service Cost	4,570	4,570	4,570
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	187,113	184,142	181,224
- Projected Service Cost	4,688	4,570	4,455
Adjustment to mortality age rating	+1 Year	None	-1 Year
- Present Value of Total Obligation	191,203	184,142	177,351
- Projected Service Cost	4,716	4,570	4,429

Scheme History

	2013/14 £000	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000
Present value of defined benefit obligation in the Local Government Pension Scheme	(133,772)	(155,811)	(149,896)	(183,756)	(182,032)
Fair value of assets in the Local Government Pension Scheme	79,694	87,531	87,447	104,482	106,524
Present value of unfunded obligation	(2,398)	(2,400)	(2,192)	(2,260)	(2,110)
Surplus/(Deficit) in the scheme	(56,476)	(70,680)	(64,641)	(81,534)	(77,618)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £77.618m 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 2019 are £3.222m.

Accounting Policy – Employee Benefits

Benefits Payable During Employment

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

Post-Employment Benefits

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

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

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

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2016.

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.

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 2017 £000	31st March 2018 £000
Not more than 1 year	778	694
Later than 1 year and not later than 5 years	2,663	2,815
Later than 5 years	905	309
	4,346	3,818

Accounting Policy - Leases

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

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

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

34 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 31st May 2018. 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 2018 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy – Events after the Balance Sheet Date

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

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

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

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

	2016/17 £000	2017/18 £000
Depreciation	(3,650)	(4,881)
Revaluation Gains & Losses	(73)	(1,002)
Amortisation of Intangible Assets	(165)	(114)
Movement in Creditors	(1,091)	(862)
Movement in Debtors	(487)	1,240
Movement in Inventories	47	10
Movement in Pension Liabilities	(2,290)	(3,651)
Other Non-Cash items	(461)	414
	(8,170)	(8,846)

36 - CASH FLOW STATEMENT - ADJUSTMENTS FOR ITEMS INCLUDED IN THE NET SURPLUS OR DEFICIT ON THE PROVISION OF SERVICES THAT ARE INVESTING & FINANCING ACTIVITIES

	2016/17 £000	2017/18 £000
Capital Grants credited to surplus or deficit on the provision of services	1,785	1,541
Proceeds from sale of Property, Plant & Equipment	1,070	892
	2,855	2,433

37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2016/17 £000	2017/18 £000
Purchase of property, plant & equipment, investment property and intangible assets	9,544	11,346
Purchase of short-term and long-term investments	12,000	11,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(706)	(896)
Proceeds from short-term and long-term investments	0	(8,000)
Other payments for investing activities		25
Other receipts for investing activities (Grants)	(2,983)	(2,371)
Net cash flows from investing activities	17,855	11,104

38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2016/17 £000	2017/18 £000
Repayments of short & long-term borrowing	629	655
Other payments for financing activities	2,045	(4,264)
Net cash flows from financing activities	2,674	(3,609)

COLLECTION FUND STATEMENT & NOTES

2016/17 £000		2017/18 £000	£000
	INCOME		
95,899	Income From Council Tax		102,372
60,507	Income From Business Rates (Note 2)		56,877
	Transfers from General Fund		
156,406	Total Income		159,249
	EXPENDITURE		
	Precepts and Demands - Council Tax		
67,048	Kent County Council	70,477	
9,000	Kent Police & Crime Commissioner	9,396	
15,751	Maidstone Borough Council	16,361	
4,260	Kent Fire & Rescue Authority	4,386	
			100,620
	Shares of Business Rates		
31,342	Central Government	24,756	
5,642	Kent County Council	4,466	
25,073	Maidstone Borough Council	19,943	
627	Kent Fire & Rescue Authority	496	
			49,661
94	Transitional Protection Payments - Business Rates		2,356
	Impairment of Debts - Council Tax		
138	Write offs of uncollectable amounts	254	
279	Additional / (Reduced) Impairment of Aged Debt	(904)	
			(650)
	Impairment of Debts/Appeals - Business Rates		
817	Write offs of uncollectable amounts	645	
18	Additional / (Reduced) Impairment of Aged Debt	(255)	
(1,274)	Losses on appeal	(2,857)	
2,601	Additional / (Reduced) Provision For Appeals	1,008	
			(1,459)
206	Cost of Collection Allowance - Business Rates		204
161,622	Total Expenditure		150,732
(5,216)	Surplus/(Deficit) For Year		8,517
(6,355)	Surplus/(Deficit) Brought Forward From Previous Years		(11,571)
1,186	Surplus/(Deficit) on Council Tax		3,601
(12,757)	Surplus/(Deficit) on Business Rates		(6,641)
(11,571)	Surplus/(Deficit) as at 31st March 2018		(3,040)

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: 59,439.3 for 2017/18 (58,525.4 for 2016/17) (see table below.) This basic amount of council tax for a Band D property, £1,654.93 for 2017/18, (£1,597.31 for 2016/17) is multiplied by the proportion specified for the particular band to give an individual amount due. Parish Precepts are added to this basic amount.

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

Band	Number of Dwellings	Multiplier	Council Tax Base
Band A (incl disabled relief)	0	5/9	0.0
Band A	2,381	6/9	1,587.4
Band B	5,896	7/9	4,585.9
Band C	14,665	8/9	13,035.6
Band D	15,566	9/9	15,566.3
Band E	8,532	11/9	10,428.4
Band F	4,960	13/9	7,164.2
Band G	3,723	15/9	6,205.1
Band H	323	18/9	646.8
Other			219.5
			59,439.3

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 47.9p / £ Rateable Value (49.7p in 2016/17)
- Small Business Multiplier 46.6p / £ Rateable Value (48.4p in 2016/17)

The rateable value at 31st March 2018 was £145.132m (£142.241m at 31st March 2017).

For 2017/18, it was calculated that the Council would receive £22.716m in business rates (£24.059m in 2016/17).

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 (£18.059m in 2017/18, £19.654m in 2016/17) 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 2017/18 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.

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

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Maidstone Borough Council (the 'Authority') for the year ended 31 March 2018 which comprise the Comprehensive Income and Expenditure Statement, the Movement in Reserves Statement, the Balance Sheet, the Cash Flow Statement, the Collection Fund Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18.

In our opinion the financial statements:

- give a true and fair view of the financial position of the Authority as at 31 March 2018 and of its expenditure and income for the year then ended;
- have been prepared properly in accordance with the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18; and
- have been prepared in accordance with the requirements of the Local Audit and Accountability Act 2014.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Authority in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

This report is made solely to the members of the Authority, as a body, in accordance with Part 5 of the Local Audit and Accountability Act 2014 and as set out in paragraph 43 of the Statement of Responsibilities of Auditors and Audited Bodies published by Public Sector Audit Appointments Limited. Our audit work has been undertaken so that we might state to the Authority's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Authority and the Authority's members as a body, for our audit work, for this report, or for the opinions we have formed.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the Director of Finance and Business Improvement's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Director of Finance and Business Improvement has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Authority's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The Director of Finance and Business Improvement is responsible for the other information. The other information comprises the information included in the Statement of Accounts and the Annual Governance Statement, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not

cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge of the Authority obtained in the course of our work including that gained through work in relation to the Authority's arrangements for securing value for money through economy, efficiency and effectiveness in the use of its resources or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other information we are required to report on by exception under the Code of Audit Practice

Under the Code of Audit Practice published by the National Audit Office on behalf of the Comptroller and Auditor General (the Code of Audit Practice) we are required to consider whether the Annual Governance Statement does not comply with the 'Delivering Good Governance in Local Government: Framework (2016)' published by CIPFA and SOLACE or is misleading or inconsistent with the information of which we are aware from our audit. We are not required to consider whether the Annual Governance Statement addresses all risks and controls or that risks are satisfactorily addressed by internal controls.

We have nothing to report in this regard.

Opinion on other matter required by the Code of Audit Practice

In our opinion, based on the work undertaken in the course of the audit of the financial statements and our knowledge of the Authority gained through our work in relation to the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources, the other information published together with the financial statements in the Statement of Accounts and the Annual Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

Under the Code of Audit Practice we are required to report to you if:

- we have reported a matter in the public interest under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have made a written recommendation to the Authority under section 24 of the Local Audit and Accountability Act 2014 in the course of, or at the conclusion of the audit; or
- we have exercised any other special powers of the auditor under the Local Audit and Accountability Act 2014.

We have nothing to report in respect of the above matters.

Responsibilities of the Authority, the Director of Finance and Business Improvement and Those Charged with Governance for the financial statements

As explained more fully in the Statement of Responsibilities, the Authority 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 this authority, that officer is the Director of Finance and Business Improvement. The Director of Finance and Business Improvement is responsible for the preparation of the Statement of Accounts, which includes the financial statements, in accordance with proper practices as set out in the CIPFA/LASAAC code of practice on local authority accounting in the United Kingdom 2017/18, which give a true and fair

view, and for such internal control as the Director of Finance and Business Improvement determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Director of Finance and Business Improvement is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Authority lacks funding for its continued existence or when policy decisions have been made that affect the services provided by the Authority.

The Audit, Governance and Standards Committee is Those Charged with Governance.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Report on other legal and regulatory requirements - Conclusion on the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

Conclusion

On the basis of our work, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, we are satisfied that the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

Responsibilities of the Authority

The Authority is responsible for putting in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources, to ensure proper stewardship and governance, and to review regularly the adequacy and effectiveness of these arrangements.

Auditor's responsibilities for the review of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources

We are required under Section 20(1)(c) of the Local Audit and Accountability Act 2014 to be satisfied that the Authority has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources. We are not required to consider, nor have we considered, whether all aspects of the Authority's arrangements for securing economy, efficiency and effectiveness in its use of resources are operating effectively.

We have undertaken our review in accordance with the Code of Audit Practice, having regard to the guidance on the specified criterion issued by the Comptroller and Auditor General in November 2017, as to whether in all significant respects the Authority had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people. The Comptroller and Auditor General determined this criterion as that necessary for us to consider under the Code of Audit Practice in satisfying ourselves whether the Authority put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources for the year ended 31 March 2018.

We planned our work in accordance with the Code of Audit Practice. Based on our risk assessment, we undertook such work as we considered necessary to be satisfied that the Authority has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources.

Report on other legal and regulatory requirements - Certificate

We certify that we have completed the audit of the financial statements of the Authority in accordance with the requirements of the Local Audit and Accountability Act 2014 and the Code of Audit Practice.

Darren Wells
for and on behalf of Grant Thornton UK LLP, Appointed Auditor

Grant Thornton UK LLP
30 Finsbury Square
London
EC2P 2YU

30 July 2018

Appendix A

Annual Governance Statement 2017/18

Introduction

The Annual Governance Statement is a review of the council's governance arrangements in 2017-18. The statement evaluates how we meet the governance framework and provides an opinion on whether the current governance arrangements are fit for purpose.

Our Responsibilities

Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Maidstone Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness.

The Council's section 151 Officer and the Monitoring Officer are key members of the Corporate Leadership Team, reviewing all decisions taken through Leadership Team, Committees and Full Council. The Section 151 officer has a number of statutory duties, including the duty to report any unlawful financial activity involving the authority (past, present or proposed) or failure to set or keep to a balanced budget. The Section 151 officer also has a number of statutory powers in order to allow this role to be carried out, such as the right to insist that the local authority makes sufficient financial provision for the cost of internal audit. The Monitoring Officer serves as the guardian of the Council's Constitution and the decision-making process. They are responsible for advising the Council on the legality of its decisions and providing guidance to councillors and officers on the Council's Constitution and its powers. The Corporate Leadership Team is led by the Chief Executive who is the Council's chief policy advisor with overall corporate management and operational responsibility.

The Council operates a committee system of governance and the Leader is the Council's political and elected head, the focus for political direction and the chief spokesperson for the Borough. The Leader is also Chair of Policy and Resources Committee. The Council has four service based committees taking decisions within their terms of reference as agreed by full council, individual councillors do not have the power to make decisions. In addition there are committees that deal with licensing, planning, audit, governance and standards; democracy; urgent matters employment and other regulatory matters.

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

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

Our Governance Framework

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

The monitoring of Corporate Governance has a high priority at the Council. The Head of Policy, Communications and Governance is responsible for Corporate Governance. A small working group made up of the Head of Finance, the Head of Legal services (Monitoring Officer) and the Head of Policy and Communications assisted by the Head of Audit Partnership reports biannually to the Corporate Leadership Team and the Audit, Governance and Standards Committee on governance matters.

This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2018 and up to the date of approval of the Statement of Accounts.

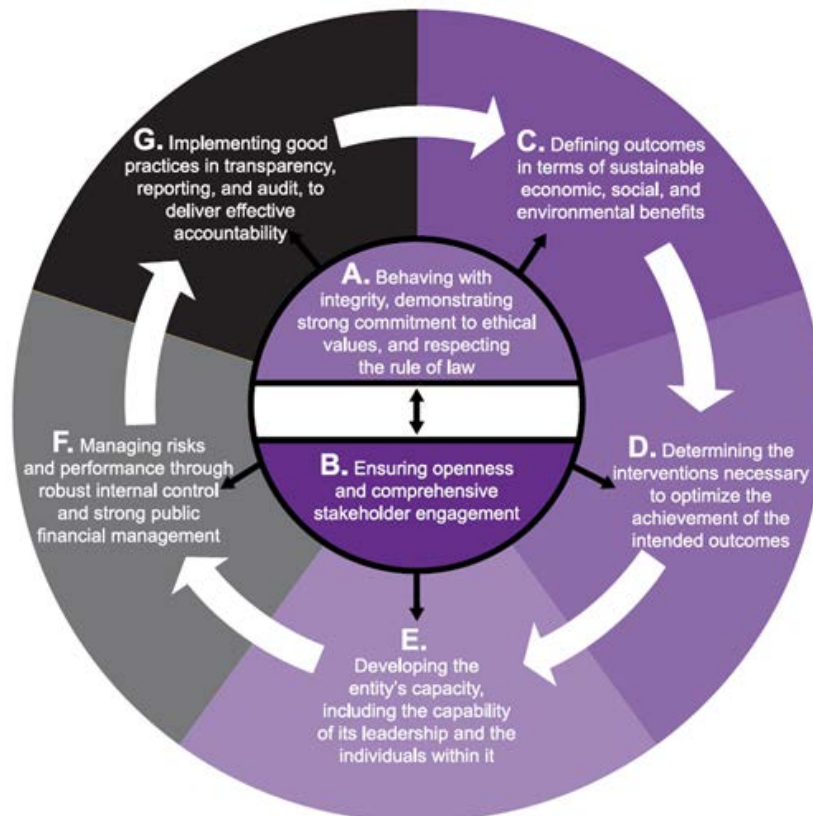
The International Framework: Good Governance in the Public Sector states that

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

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

Below is a review of how we have demonstrated and met those principles in 2017-18.

The 7 Principles



Review of Effectiveness

1) Behaving with integrity, demonstrating strong commitment to ethical values, and respecting rule of law

The Council adopted a new local code of corporate governance in 2017 which complies with the latest CIPFA and SOLACE “Delivering Good Governance in Local Government”.

The Council also has in place a local code of conduct for Councillors and a code of conduct for staff. Code of Conduct training is carried out annually for Councillors and included in the new councillor induction programme. Information on the code of conduct is set out in the staff handbook and is included in the induction for all new employees.

A [Register of Interests](#) is maintained and training is offered to councillors on standards, interests and our code of conduct. Councillor and Officer codes of conduct are in place. A register of gifts and hospitality is maintained and staff are regularly reminded to complete this. Information on conduct is included in our Staff Handbook.

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

We have a clearly defined set of core values that are embedded at the Council. They form part of our competency framework and are used as part of the appraisal process. Annually we hold a staff awards event for those who have demonstrated they have exceeded the standards by going above and beyond the expected in their behaviour in relation to:

- Service
- Teamwork
- Responsibility
- Integrity
- Value
- Equality

There is an [Equality Policy](#) in place for the organisation. A new equality policy and objectives were agreed in 2017-18.

The Democracy Committee approved a member development programme that included training on interests and conduct. The Programme is focused on the following areas for Member Development:

- Support and build on existing skills for their role in the community now and in the future
- Support and build on existing skills for the various roles undertaken within and on behalf of the Council

The constitution is kept under review by the Democracy Committee and the Monitoring Officer, with changes agreed by full Council.

2) Ensuring openness and comprehensive stakeholder engagement

The Policy and Information Team and Communications Team work together with teams across the Council to ensure consultation is run consistently and effectively and is well communicated to all stakeholders. This collaborative working enables the teams to more effectively manage the consultation process, and in particular, better manage barriers such as consultation fatigue. Recognising the importance of effective engagement with our stakeholders, the Council became a member of the Consultation Institute earlier in the year, which provides a wealth of resources and insight. Officers are currently undertaking accredited training via the Institute to further improve our approach and processes.

A Member Sounding Board is in place to consider how Councillors engage with officers, carry out public consultation and engagement, share information as well as get involved in communications projects such as the residents' survey. This has ensured Councillors have an opportunity at an early stage to influence public engagement. The Board was involved in the development of the 2017 resident survey, the Council magazine Borough Insight and the redevelopment of our website.

Over the course of 2017-18 we have carried out a number of consultations and surveys. Our largest was the Resident Survey 2017 which had over 2,000 responses. Other consultations included taxi licensing, the low emission strategy, park and ride and council tax.

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

We believe in transparency and have a large amount of information available on the [data and information](#) pages of our website including details of payments to suppliers, decision notices, performance information, a list of our assets and senior staff salaries. We have dealt with a large volume of FOI requests in 2017-18, processing 98% on time.

The Council takes up opportunities to engage with partners and stakeholders through avenues such as the Developers' Forum, Parish Liaison meetings, Maidstone Destination Management Plan, BME forum, Children and Young People forum, Voluntary and Community Services focus group, Disability Network and Older Person's Forum.

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

The Council has a clear vision set out in the Strategic Plan. The [Strategic Plan](#) is refreshed annually. In 2017/18 we refreshed and updated the Strategic Plan. This was led by Committees using information from the resident survey. Outcomes are measured through strategy action plan updates, performance measures and targets which are reported regularly to Wider Leadership Team and the Service Committees. To ensure the delivery of the strategic plan priorities and actions, each service is required to produce a service plan and individuals also identify how they meet the priorities in their objectives for the year. The Investors in People (IIP) review in January

2017 identified Strategic Planning as a strength, “Staff clearly understand the challenges ahead and all take part in discussing service plans and their contribution.”

Our corporate report template requires report authors to identify how decisions align with the Council’s priorities and show the options that have been considered and the impact of the recommended course of action. We have a robust risk management framework in place.

4) Determining the interventions necessary to optimise the achievement of the intended outcomes

The [Council's Constitution](#) clearly defines the roles and responsibilities of Officers and Councillors. The Head of Legal Partnership has reviewed the constitutional arrangements and made recommendations for amendment in 2017/18.

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

Performance is reported on a quarterly basis to each service committee as well as updates on plans and strategies throughout the year.

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

5) Developing the entity’s capacity, including the capability of its leadership and the individuals within it

The Council in 2017 was accredited Silver following an Investors in People assessment. To achieve this level the council had to demonstrate that we have in place regular appraisals, service plans, learning and development activities, recruitment and selection procedures as well as a clear strategic vision, good leadership and strong corporate values.

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

The Council has a learning and development programme in place for officers and councillors. This has been assessed as good in the IIP assessment. There is a wide variety of training offered to staff and councillors.

6) Managing risks and performance through robust internal control and strong public financial management

The council has in place a robust risk management framework and guidance. During December 2015 senior officers and Members from the Council took part in a risk identification workshop facilitated by Grant Thornton. This resulted in the identification of risks that operate at a corporate level. In February 2017 risks were re-assessed and any planned controls documented.

The risk register is reviewed regularly and reported to the Council's Leadership Team and Policy and Resources Committee. The Corporate report template includes guidance on risk assessment and requires report authors to assess risk implications.

Performance reports aligned to the Council's priorities are reported to the wider leadership team and service committees. Service committees carry out policy and strategy development. Financial performance is reported to all the service committees on a quarterly basis. Monthly budget spending is reported to budget holders and quarterly review meetings with the Director of Finance and Business Improvement are in place. The corporate report template requires information explaining the legal and financial impact of decisions and the S151 Officer and Monitoring Officer are required to comment on financial and legal implications of reports.

The Council has an anti-fraud and corruption policy in place and a whistle blowing policy.

6) Implementing good practices in transparency, reporting, and audit to deliver effective accountability

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

The annual governance statement and action plan is published on-line and reported to the Audit, Governance and Standards Committee.

Internal Audit Opinion

The Head of Internal Audit will present the annual report and opinion to Audit, Governance and Standards Committee on 30 July 2018. The specific extract of that report that includes the opinion reads:

Internal Control

I am satisfied that during the year ended 31 March 2018 the Council managed a system of internal control that offers sound assurance on control effectiveness.

Governance

I am satisfied that the Council's corporate governance arrangements for the year ended 31 March 2018 comply in all material respects with guidance on proper practices.

Risk Management

I am satisfied the risk management arrangements at the Council for the year ended 31 March 2018 are effective and provide sound assurance.

In addition, the report notes findings at a weak assurance level on *accounts receivable, procurement and land charges*. These are included among the governance actions below.

Governance actions 2017-18 - Update

Governance Issue	Action Taken
Engaging with local people <ul style="list-style-type: none"> Implementing new Customer Service Standards Refresh of the Communication and Engagement Strategy 	<ul style="list-style-type: none"> New Customer Service Standards in place Resident Survey 2017 undertaken Communication and Engagement Strategy updated 3 editions of Borough Insight delivered
Member and Officer Relationships <ul style="list-style-type: none"> Externally led away day Member Bulletin 	<ul style="list-style-type: none"> Externally led away day held Monthly member bulletin introduced
Risk Management <ul style="list-style-type: none"> Setting the risk appetite Improving report writing in relation to risk 	<ul style="list-style-type: none"> New report writing template agreed Risk appetite agreed
Decision Making <ul style="list-style-type: none"> Improving report writing Officers trained to deliver accurate procedural advice in meetings 	<ul style="list-style-type: none"> New report template in place Training for report authors delivered Training for democratic services staff
Information Management <ul style="list-style-type: none"> Ensure the council is compliant with the new General Data Protection Regulations (GDPR) 	<ul style="list-style-type: none"> Action plan in place. Further action identified for summer 2018. Progress has been reported to Leadership Team and Audit, Governance and Standards Committee E-learning module and team talks rolled out across the council Briefings held for councillors
Contract Management <ul style="list-style-type: none"> Improving consistency and effectiveness of contract management across the council 	<ul style="list-style-type: none"> Contracts and Compliance Officer was appointed September 2017 Review of contract management processes completed Management actions being undertaken to address recommendations identified in the Internal Audit review of Procurement.
Audit Reviews with weak assurance Hazlitt Theatre Health & Safety Park and Ride Performance Management	All recommendations implemented and reassessed as sound All recommendations implemented and reassessed as sound All recommendations implemented and reassessed as sound 1 high priority and 1 medium priority recommendations outstanding and reassessed as sound in March 2018

Governance Actions for 2018-19

We do not consider there are any significant governance issues arising from the review; we have however identified actions to ensure good standards of governance are maintained. Updates on the actions will be provided to the Audit Governance and Standards Committee on a six monthly basis and kept under review by the Corporate Governance Group.

Governance Issue	Action
Develop a clear and consistent strategic narrative with agreed vision and priorities	<p>The Strategic Plan will be revised one year ahead of schedule to ensure that the review of the Local Plan flows from an up to date agreed strategic vision</p> <p>Timetable to be set out in report to Policy and Resources</p> <p>Member workshop 12 June 2018</p>
<p>Audit Reviews with weak assurance:</p> <ul style="list-style-type: none"> • Accounts receivable (focused on debt recovery) • Procurement (focused on small to medium contracts) • Land charges (focused on controls between partner authorities) 	Recommended actions implemented
Stress Survey	Implement actions arising from the stress survey results to improve organisational resilience
PCI compliance	Completion of compliance project to ensure the council is fully compliant
Procurement	<p>Completion of audit recommendations</p> <p>Amendment to constitution</p> <p>Training rolled out for all staff involved in procurement.</p>
<p>Risks that are marked as red in the risk appetite</p> <p>Failure to deliver commercial strategy: As a result of restrictions in market opportunities, staff skills or changes in Member consensus the Council is unable to deliver its' commercial ambitions</p>	<p>Regular update reports to Policy & Resources Committee</p> <p>Corporate Projects team in place to ensure delivery of projects</p> <p>Develop a more detailed delivery plan for approval of Policy & Resources Committee</p> <p>Provide training for relevant officers</p>

Conclusion

Overall we are compliant and our governance arrangements are fit for purpose.

A number of issues have been identified to ensure we maintain good governance standards in 2018-19
The actions we propose to take are set out in the table above.

Signed:

Chief Executive:

Date:

Leader of the Council:

Date:

