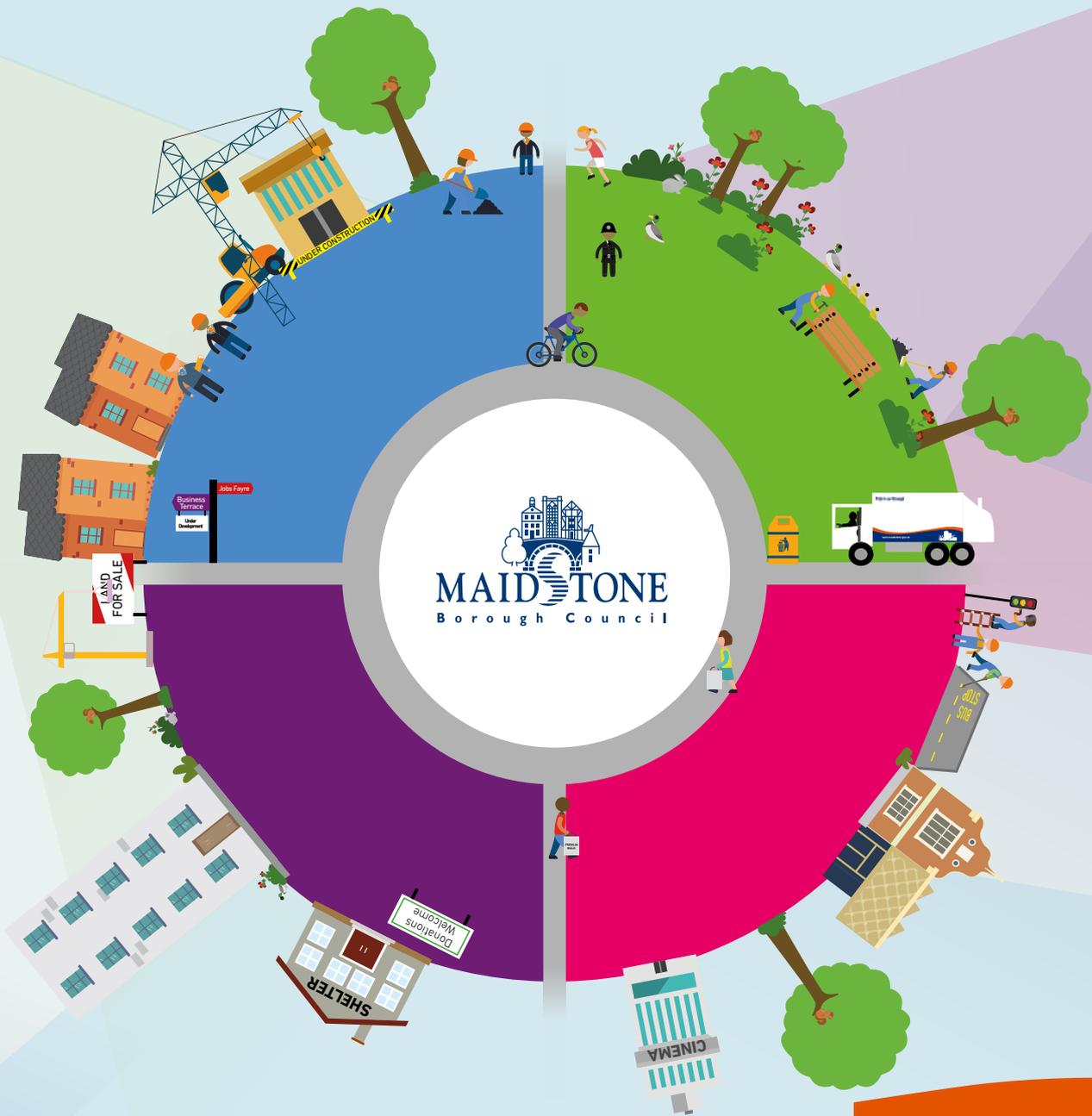


NARRATIVE REPORT

for the year ending
31st March 2021



Overview

For Maidstone Council, as for all organisations, the year to 31 March 2021 was a year like no other. As the local authority for Maidstone and the surrounding area, the Council played a vital part in combating Covid-19. At the same time, many of the sources of income on which it relies as an organisation were badly affected by the pandemic. The Council was fortunate in that these losses were largely offset by support from central government and mitigating measures taken by the Council itself. As a result, it continues to have an adequate but not excessive level of reserves, which provides it with reassurance about its future financial resilience.

While central government support remains important, both in enabling the Council to respond to the continuing impact of the pandemic and in supporting the community's recovery, the Council has a strong track record of developing and maintaining local sources of income on its own initiative. It hopes that national government will recognise the vital role played by local authorities like Maidstone, and will re-cast the local government finance settlement in the years from 2022/23 onwards so as to give the Council the financial flexibility it needs to continue supporting the community.

This narrative report sets out:

- Background information about Maidstone as a place and about the Council
- The Council's corporate strategy and how this is reflected in its financial strategy
- Key achievements and performance over the past year, including a summary of financial performance
- Details of the risks that the Council faces
- Outlook for the future



Key Facts about Maidstone

POPULATION OF MAIDSTONE BOROUGH

2020	173,100
2019	171,800

GROSS VALUE ADDED IN BOROUGH

2019	TBC
2018	£4.1 billion

NUMBER OF ACTIVE BUSINESSES IN THE BOROUGH

2019	8,275
2018	7,990

BUSINESS RATES GENERATED

2020/21	£31.7 million*
2019/20	£60.3 million

*net of Covid-19 Business Rates relief

WEEKLY PAY FOR A FULL-TIME WORKER

2020	£605.50
2019	£579.20

COUNCIL GROSS REVENUE

2020/21	£103.2 million
2019/20	£96.6 million

COUNCIL REVENUE GENERATED LOCALLY (Excluding Covid-19 Grants)

2020/21	91.5%
2014/15	82.3%

COUNCIL SURPLUS/(DEFICIT) AGAINST BUDGET

2020/21	5.7%
2019/20	-1.2%

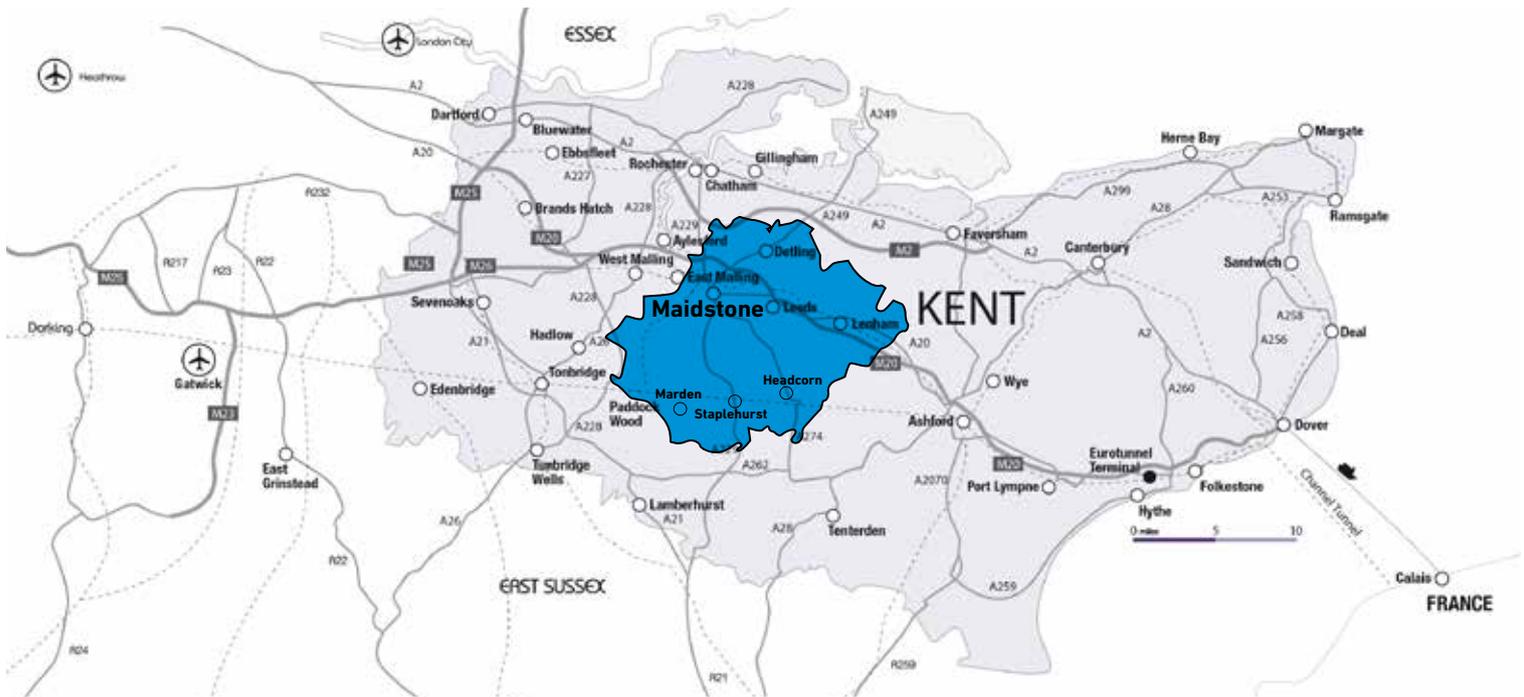
COUNCIL INVESTMENT IN LONG TERM ASSETS

2020/21	£163.5 million
2019/20	£158.6 million

COUNCIL'S USABLE RESERVES (excludes funding of Collection Fund deficit)

2020/21	£21 million
2019/20	£17.2 million

About Maidstone



Maidstone is the largest borough council district in Kent, with an estimated 175,000 residents in mid-2020. Around 70% live in Maidstone, which is the County Town of Kent. In the surrounding rural area there are local service centres such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham and many smaller villages.

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

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

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



About the Council

The Council is accountable to local residents through its 55 councillors, who are elected by thirds for terms of four years, such that elections are held in three years out of every four. The Borough elections that were due to be held in May 2020 were postponed for a year owing to the Covid-19 pandemic. Following these delayed elections in May 2021, the political composition of the Council is:

Conservative	29
Liberal Democrat	17
Independent	5
Labour	4

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

The Council employed 516 people (480 full time equivalent) at 31 March 2021, based at the Council's administrative offices in Maidstone House, King Street, and at service locations including the Council's depot at Bircholt Road, Parkwood.

Maidstone's Strategic Plan and Medium Term Financial Strategy

The Council adopted a Strategic Plan in December 2018, setting out its aspirations through to 2045. The vision set out in the Plan is for Maidstone to be a vibrant, prosperous, urban and rural community at the heart of Kent, where everyone can realise their potential. Within the overall Strategic Plan, we have defined four strategic priorities: embracing growth and enabling infrastructure; making Maidstone safe, clean and green; providing homes and supporting communities; and making the borough a thriving place. Achievements in 2020/21 against these objectives and key performance indicators are set out in the following section.

The Strategic Plan has been refreshed in light of the Covid-19 pandemic. The overall strategic priorities remain the same, but specific areas of focus for the next five years have been agreed. So far as recovery from Covid-19 is concerned, the Council's approach will be based around four themes: economic recovery, supporting resilience for communities and vulnerable people, adapting the way we work, and financial recovery.

The Strategic Plan is reflected in a five year Medium Term Financial Strategy (MTFS), which is updated on an annual basis. Recognising that there is a high degree of uncertainty about the medium term financial position, the MTFS incorporates various potential scenarios, representing favourable, neutral and adverse sets of circumstances. An annual budget is drawn up and agreed by councillors based on the neutral scenario, but with consideration paid to the appropriate level of reserves to build resilience to accommodate a range of potential scenarios.

In drawing up a budget for 2021/22, the Council projected that the ongoing impact of Covid-19 would give rise to a deficit of £1.6 million. This in-year deficit in 2021/22 would be covered by deploying earmarked reserves brought forward from previous years. Looking forward, there is a comprehensive and robust savings plan for eliminating the revenue budget deficit over a three year period.

The Council has deliberately not used one-off funding from the government to fund the deficit. Instead, it has set aside one-off government funding, principally the unringfenced Covid-19 expenditure grant of £860,000 for 2021/22 (its share of £2 billion for all local authorities), specifically for initiatives to address Covid-19 response and recovery. In this way, the ongoing financial position of the Council is secured whilst providing funds to kick-start the recovery.

Key achievements

EMBRACING GROWTH AND ENABLING INFRASTRUCTURE

- **Garden Community**

The Council has signed a collaboration agreement with Homes England to jointly promote a new 5,000 home garden community, Heathlands, through the Local Plan Review. This ambitious proposal will be for a landscape led masterplan that will be an exemplar in terms of carbon neutrality and biodiversity net gain. Heathlands will also have a strong employment offer, with an ambition to provide one new job for every home built. The Council and Homes England will share the joint promotion costs, with a view to securing a Planning consent within circa 5 years. Thereafter, Homes England will perform that master developer role whilst the Council will focus upon the long terms stewardship of the new community.

- **Innovation Centre**

The Maidstone Innovation Centre is nearing completion and will be welcoming businesses tenants from the health and med-tech sectors from the summer of this year. The building itself is of the highest design quality, designed by Bond Bryan architects, and will also achieve an excellent BREEAM rating in terms of its environmental performance. Rydon is the contractor and the project is being part financed through the European Regional Development Fund. Businesses that locate within the Innovation Centre will benefit from wraparound business support packages, which will also be available to other businesses operating across the Local Enterprise Region that are also focussed upon the health and med-tech sectors.

HOMES AND COMMUNITIES

- **Community Hub**

In March 2020, following the government's request to provide support to the 'shielded' population, the Council set up a 'Community Hub' comprising a contact centre where people can seek support, a physical distribution hub, a befriending service and a dedicated part of the MBC web-site to provide information for people needing support and a place where volunteers could offer support. Led by the Head of Policy, Communications and Governance, staff were quickly re-deployed from across the council to enable set up in a matter of days. The Community Hub provided free phone and web based contact channels. The team developed processes for managing contact with residents and the provision of support, sourced and procured food and household essentials and linked in with parish councils, community services, voluntary groups, KCC, health providers and volunteers.

The Hub has provided support directly or signposted around 1,500 people. Around a third have been re-directed to others for support at the first contact e.g. to a parish council or existing community group. Our co-ordination team has worked directly with around two thirds (1,000) of the people who requested support; the Hub team have contacted them, undertaken a needs assessment, and provided or co-ordinated appropriate support. Over a thousand food parcels were delivered across the Borough to residents in need directly by the community hub.

The council has also been in regular contact with the "shielded community" which began at over 5,000 people and rose to just over 10,000 by January 2021. This involved ensuring they have access to food, support and other services through both direct provision and working with the voluntary and community sector as well as our Parish Councils.

- **Homelessness Initiatives**

The Council continues to excel with its homelessness services, even with the additional pressures caused by the pandemic. Through continued investment in the core services, the street homeless population in Maidstone has reduced to zero. Furthermore, the Council has continued to expand its own portfolio of temporary accommodation for homeless households, which has not only reduced our reliance on costly nightly paid provision, but also provides a higher quality of accommodation to those affected by homelessness.

- Trinity Place**
 The Council has acquired and will soon be refurbishing an existing community asset, Trinity Place, that will further support our housing and homelessness services. This facility was previously used as a Foyer by a local housing association, providing housing and training for young people, but funding for these services had ended and the building was empty and falling into disrepair. The refurbishment is scheduled to take place from May 2021 allowing residents to move in from September 2021. It will provide 23 self-contained one and two-bedroom apartments and studios and will cost around £1m to complete. The Ministry of Housing, Communities & Local Government have supported the MBC project through a Capital and Revenue Grant, with the combined sums being for circa £545k, through their Next Steps Accommodation Programme.
- Completion of Brunswick Street and Union Street housing developments**
 The Council completed two high quality housing developments in May 2021, both of which are redevelopments of underutilised town centre car parks. The two schemes have provided 94 new homes in total, of which it will retain one third for Private Rented Sector Housing (in its housing company Maidstone Property Holdings Limited), one third for affordable housing that has been acquired by a local housing association partner, and one third of the homes for market sale through a joint venture with the Council's developer / contractor partner Purelake. The sales and lettings demand for all the new homes has been extremely strong, with residents enjoying features to include high energy efficiency ratings, electric car charging points and balconies. To bring these projects forward the Council secured Land Release Fund monies from central government which aided the overall viability of the redevelopments.

SAFE, CLEAN AND GREEN

- Mote Park Dam Works**
 Mote Park Lake was formed in the 1830s by damming the River Len. Following a review under the Reservoirs Act 1975 of Mote Park Lake, the Council has carried out extensive work to increase the spillway capacity of the lake to reduce risk of failure of the dam due to overtopping. The works comprise a 50m wide auxiliary spillway, an abutment formed with grass covered articulated concrete blocks and a wave wall. Landscaping works were carried out around the new abutment including the planting of trees and seeding grassed areas. Breheny Civil Engineering carried out the works, which were completed in December 2020. A certificate under the Reservoirs Act 1975 has now been issued which has been accepted by the Environment Agency as evidence that the Council's legal obligations for managing the flood risk have been discharged. A final stage in the work, the installation of automated sluice gates, is due to take place this year.

A THRIVING PLACE

- Lockmeadow Refurbishment**
 The Council acquired the Lockmeadow leisure complex in November 2019 in order to support the objective of making Maidstone a thriving place, with the Council working as an active landlord to enhance the site and bring more visitors into the town centre. Improvements to the exterior of the site were completed in December 2020, including modernisation of the external facia, removal or replacement of railings, a new, more welcoming entrance to the car park, and removal of redundant structures in order to better link the site with the Medway riverside. At the same time, the Odeon cinema was upgraded to their premium 'Odeon Luxe' format. Further work is now planned to introduce a Food Hall within the complex and a play area alongside it. These measures will help Lockmeadow recover strongly from its enforced closure during the first and second Covid-19 lockdowns.
- Lockmeadow Refurbishment**
 Maidstone Borough Council has been able to quickly respond to support local businesses impacted through the pandemic, implementing new systems and processes to identify and target support to eligible businesses. In total the council made over 9,800 grant awards totalling £54m to eligible businesses during the period of the pandemic and received widespread praise across the business community for the efficient way in which the schemes were delivered.

KEY PERFORMANCE INDICATORS

Key Performance Indicators are set for each Council priority in consultation with the relevant Service Committee. Performance against targets is set out below.

PRIORITY: A Thriving Place

Performance Indicator	Service	2020/21 Out-turn	2020/21 Target	Status	Compared to 2019/20
Customer satisfaction with the Hazlitt	Leisure & Tourism	-	75%	-	-
Percentage of vacant retail units in the town centre	Economic Development	18%	20%		
Number of visits per month to Visit-Maidstone.com	Economic Development	231,840	137,121		
Footfall in the Town Centre	Economic Development	5,024,169	5,848,834.6		
Percentage of unemployed people in Maidstone (out-of-work benefits) [NOMIS]	Economic Development	5.0%	5.3%		-
Number of students benefitting from the museums educational service	Leisure & Tourism	60	9,000		
Footfall at the Museum and Visitors Information Centre	Leisure & Tourism	6,825	29,494.2		
Number of users at the Leisure Centre	Leisure & Tourism	101,646	805,257		
Business Rates income from the Town Centre	Economic Development	-	-		
Total value of business rateable properties	Economic Development	£150,212,625.00	-		

PRIORITY: Clean, Safe and Green

Performance Indicator	Service	2020/21 Out-turn	2020/21 Target	Status	Compared to 2019/20
Percentage of unauthorised encampments on Council owned land removed within 5 working days	Community Protection	83.33%	100%		
The percentage of relevant land and highways that is assessed as having acceptable levels of litter	Waste Crime Team	96.48%	98.00%		
The percentage of relevant land and highways that is assessed as having acceptable levels of detritus	Waste Crime Team	94.97%	95.00%		
Percentage of fly tips with evidential value resulting in enforcement action	Waste Crime Team	90.4%	87.0%		
Maintenance per Hectare Spent on Parks and open Spaces	Parks & Open Spaces	£6020	-		
Number of Green Flag Parks	Parks & Open Spaces	4	3		-
Actual Spend of Section 106 money	Parks & Open Spaces	£435,291.00	-		
Percentage of household waste sent for reuse, recycling and composting	Waste & Recycling	50.24%	52.00%		
Contamination: Tonnage per month rejected	Waste & Recycling	1552.46	1150.00		-
Percentage of fly tips assessed within 2 working days	Street Cleansing	95.30%	94.00%		-

PRIORITY:

Homes & Communities

Performance Indicator	Service	2020/21 Out-turn	Target	Status	Compared to 2019/20
Number of completed housing assistances	Housing & Health	342	-		↓
Number of houses of multiple occupation brought to compliance by private rented sector licensing	Housing & Health	30	30		↓
Number of households living in temporary accommodation last night of the month (NI 156 & SDL 009-00)	Housing & Health	137	-		↓
Number of households living in nightly paid temporary accommodation last night of the month	Housing & Health	52	-		↓
Number of households housed through the housing register	Housing & Health	651	450		↑
Percentage of successful Prevention Duty outcomes	Housing & Health	71.38%	60%		↑
Number of households prevented or relieved from becoming homeless	Housing & Health	648	450		↑
Percentage of successful Relief Duty outcomes	Housing & Health	46.26%	60%		↓
Percentage of gas safety certificates in place on all residential properties	Housing & Health	97.78%	100.00%		-
Percentage of all electrical safety certificates on all residential properties	Housing & Health	96.71%	100.00%		-
Percentage of high priority fire safety certificates on all residential properties	Housing & Health	100.00%	100.00%		-
Percentage spend and allocation of Disabled Facilities Grant Budget (YTD)	Housing & Health	110.7%	75.0%		↓

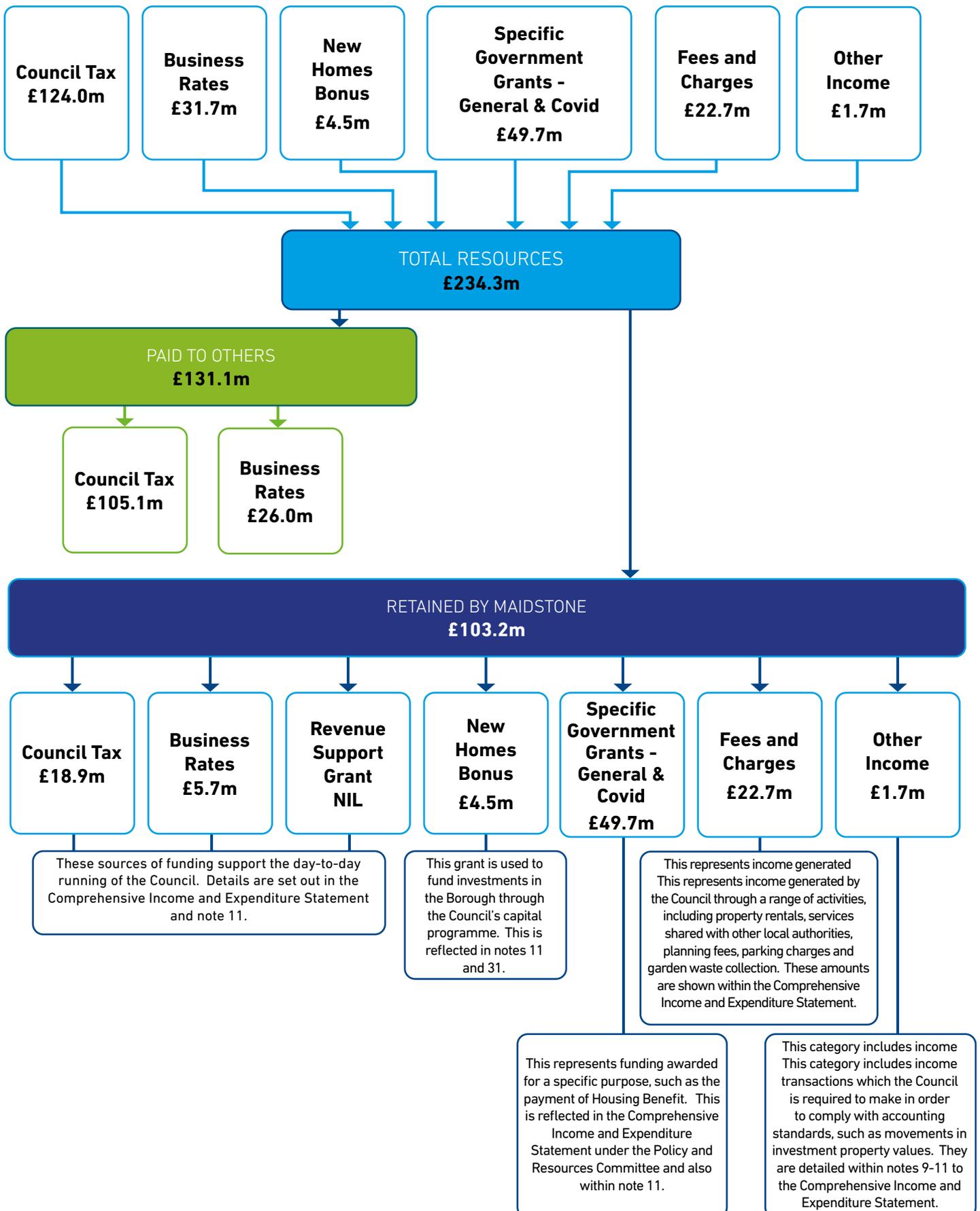
PRIORITY:

Embracing Growth & Enabling Infrastructure

Performance Indicator	Service	2020/21 Out-turn	2020/21 Target	Status	Compared to 2019/20
Percentage of priority 1 enforcement cases dealt with in time	Development Management	90%	95%		↓
Percentage of Priority 2 enforcement cases dealt with in time	Development Management	85.69%	90%		↓
Number of enforcement complaints received	Development Management	564	-		↑
Open planning enforcement cases (as of start of March 2021)	Development Management	319	-		
Processing of planning applications: Major applications (NI 157a)	Development Management	91.67%	92.00%		↓
Processing of planning applications: Minor applications (NI 157b)	Development Management	97.55%	99.00%		↑
Processing of planning applications: Other applications (NI 157c)	Development Management	99.52%	99.00%		↑
Number of affordable homes delivered (Gross)	Economic Development	342	180		↓
Affordable homes as a percentage of all new homes	Economic Development	Data not yet available			
Net additional homes provided (NI 154)	Development Management				

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 2020/21 (£251 million in 2019/20). The table below shows the flows of income and expenditure.

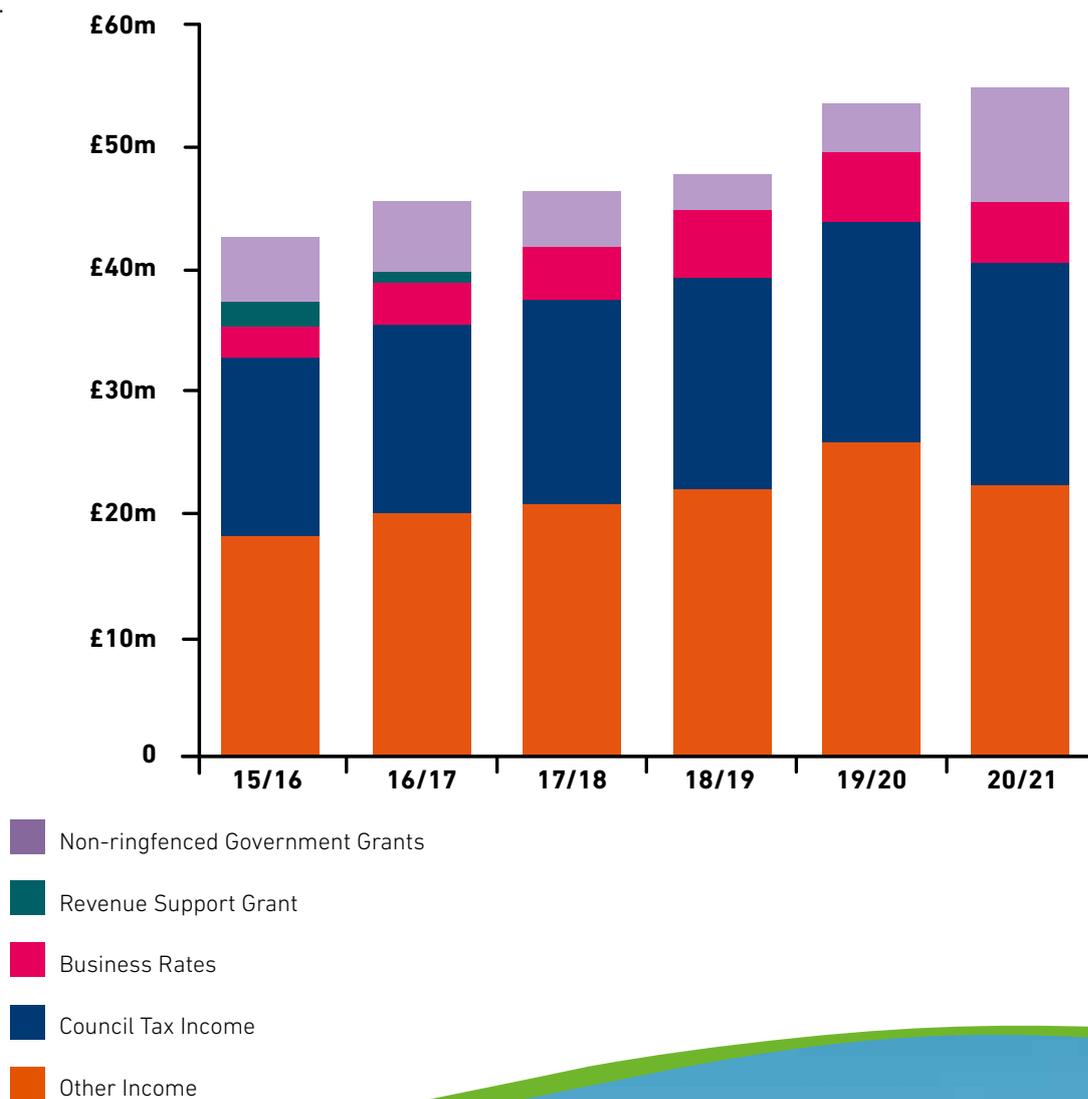


Expenditure

Income retained by Maidstone is used to meet its statutory obligations - delivering services like refuse collection, and making transfer payments such as housing benefit – and to meet our strategic priorities.

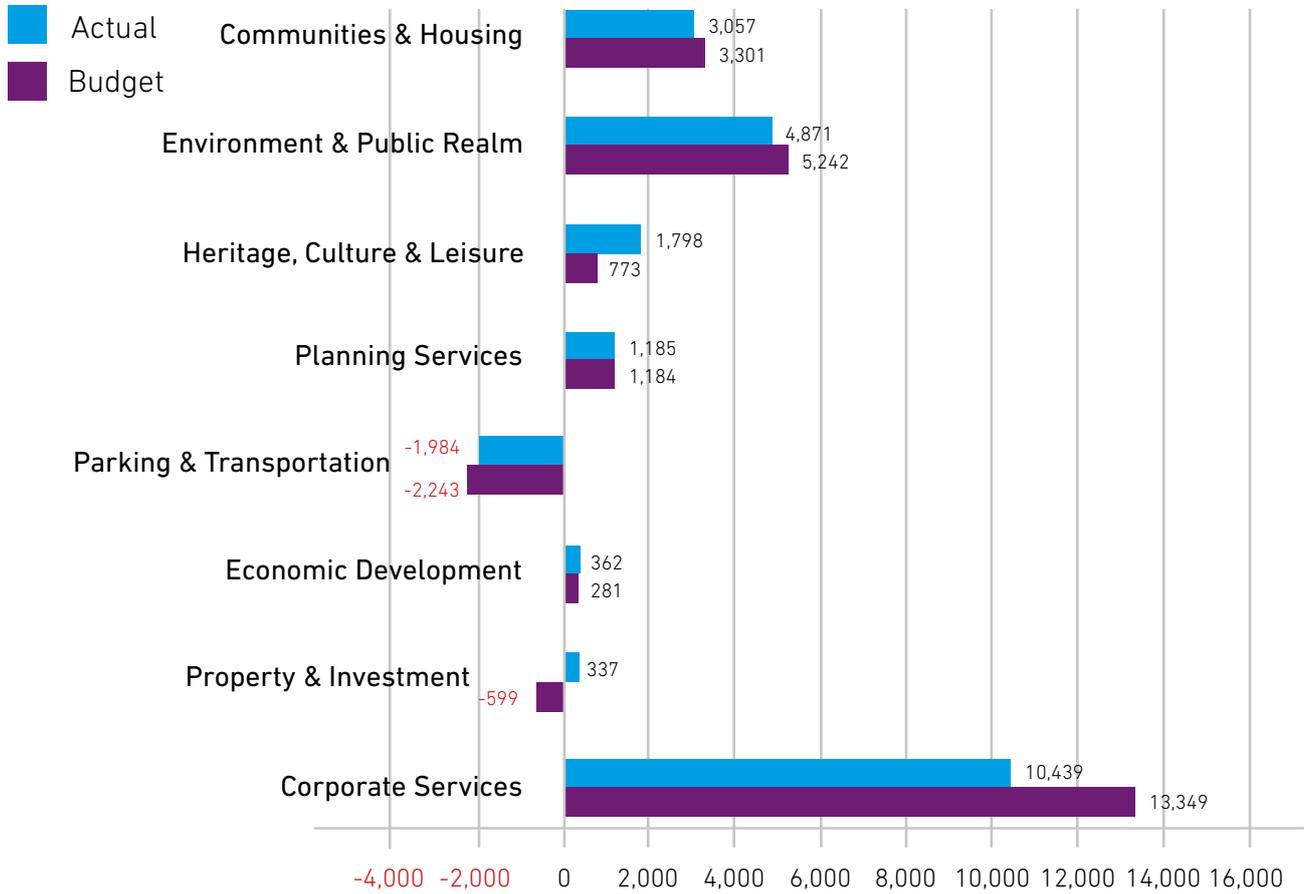
In a number of areas, the Council incurred additional expenditure in responding to the Covid-19 pandemic. At the same time, income on which the Council usually relies, particularly fees and charges for customers, was badly affected by the pandemic. However, the additional expenditure and reduction income was offset by mitigating underspends and by government grant. The outturn for the year was an overall underspend compared with the budget of £1.2 million (5.7%).

The Council following table shows how income in 2020/21 compares with previous years, and how central government funding has helped to offset the shortfall from our locally generated sources of income arising from Covid-19.



These sources of income are shown in note 10 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**. The above figures do not include money received from central government that the council distributes purely as an agent, eg Local Restrictions Support Grant.

The table below compares income and expenditure with budget, and shows how the combined contribution of government grant and local mitigating action has more than offset the impact of Covid-19.



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 reduced from £61.8 million to £46.3 million, mainly because of an increase in pension liabilities.

2019/20 £000		2020/21 £000
124,200	Property, Plant & Equipment	124,418
10,393	Heritage Assets	10,433
23,270	Investment Properties	25,697
715	Other Long Term Assets	2,959
27,992	Money owed to the Council	37,085
-47,714	Money owed by the Council	-61,447
-77,098	Long Term Liabilities	-92,893
61,758	Net Assets	46,251
17,193	Usable Reserves	34,085
44,565	Unusable Reserves	12,166
61,758	Total Reserves	46,251

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

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

Balance Sheet (continued)

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

Usable reserves include money set aside for specific purposes and sufficient contingency to cover unforeseen events. It includes funding of £13.595 million which will be required to cover a deficit on the Collection Fund, so in practice is not available for use by the Council.

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

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

Capital Expenditure

Capital investment during the year was significantly less than planned, owing to Covid-19. Nevertheless, £20.1 million was spent during the year on delivering projects identified within the Council's capital programme.

These projects included:

- Expenditure on new housing developments at Union Street and Brunswick Street
- Purchase of properties for use as temporary accommodation for homeless people
- Construction of an Innovation Centre for growing businesses in the life science, healthcare and med-tech sectors
- Reinforcement of Mote Park Lake dam to reduce risk of flooding downstream

The Council has an ambitious capital programme for the coming five years, totalling £130 million. The largest element in the capital programme is the Council's housing and regeneration strategy. The programme will be funded both through New Homes Bonus receipts and other internal resources, and through external borrowing, in line with the regulatory requirement that such borrowing be affordable, prudent and sustainable.

	Actual	Five year plan					Total
	20/21	21/22	22/23	23/24	24/25	25/26	
	£000	£000	£000	£000	£000	£000	£000
Housing Development and Regeneration	4,997	18,336	19,111	12,611	14,537	9,958	74,553
Temporary Accommodation	1,406	2,526	1,560				4,086
Disabled Facilities Grants	660	1,786	800	800	800	800	4,986
Flood Action Plan	7	200	200	200	200	150	950
Mote Park Improvements	1,068	3,455					4,490
Property Investments	6,075	12,833	3,000	2,500	2,500	2,500	40
Kent Medical Campus Innovation Centre	4,740	4,440					4,440
Infrastructure delivery	0	1,200	1,800	600	600	600	4,800
Corporate Property	270	1,487	175	175	175	175	2,187
Biodiversity and Climate Change	12	950					950
Mall Bus Station	84	690					690
Garden Community	308	340	465	425	425		1,655
Section 106 Contributions	57	44	447	58	49	242	840
Other	439	769	759	370	370	370	2,638
	20,123	49,056	28,317	17,739	19,656	14,795	129,563



RISK MANAGEMENT

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

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

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



FUTURE PLANS

The focus of the Council is currently on supporting the community's recovery from the pandemic. It will do this by supporting resilience for communities and vulnerable people and by promoting economic recovery.

Before the onset of the Covid-19 pandemic, the Council's resources were very largely generated locally, with most of its income coming from Council Tax and other local sources, including parking, planning fees and property income. The recovery of these income sources depends on the pace of overall economic recovery, so in the meantime the Council will take care to balance the need to maintain an adequate level of reserves with the need to continue maintaining services to the public. Where one-off funding is made available by central government, the Council will seek to deploy this in ways that generate a lasting benefit for the borough.

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





**DRAFT STATEMENT OF ACCOUNTS
2020/21
(Subject to external audit)**

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

The Director of Finance & Business Improvement's Responsibilities

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

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

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

The Director of Finance & Business Improvement has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2021.

Signed:

Mark Green, Director of Finance & Business Improvement

Date:

PRIMARY STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31st March 2020 & 2021

Statement of Accounts 2020/21 (Draft – subject to external audit) **APPENDIX 1**

Gross Expenditure £000	2019/20		Committee (See note below)	2020/21		
	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
53,508	(45,833)	7,675	Policy & Resources	48,777	(46,034)	2,743
21,374	(11,808)	9,566	Communities, Housing & Environment	21,338	(9,898)	11,439
6,279	(2,280)	3,999	Economic, Regeneration & Leisure	12,044	(6,629)	5,415
8,112	(6,816)	1,296	Strategic Planning & Infrastructure	8,589	(4,991)	3,598
89,273	(66,738)	22,535	Cost Of Services	90,748	(67,553)	23,195
		1,698	Other Operating Expenditure (Note 9)	5,223		5,223
		(666)	Financing and Investment Income and Expenditure (Note 10)	3,785	(36)	3,749
		(27,747)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)		(33,399)	(33,399)
		(4,179)	(Surplus) or Deficit on Provision of Services			(1,231)
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(5,567)	(Surplus) or deficit on revaluation of property, plant & equipment assets			3,512
		(2,068)	Remeasurement of the Net Defined Benefit Liability			13,225
		(7,636)	Other Comprehensive Income and Expenditure			16,737
		(11,814)	Total Comprehensive Income and Expenditure			15,506

MOVEMENT IN RESERVES STATEMENT**For the years ending 31st March 2020 & 2021**

Current Year	General Fund Balance Unallocated £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2020	8,821	7,820	552	17,193	44,565	61,758
Movement in Reserves during 2020/21						
Total Comprehensive Income and Expenditure	1,231	0	0	1,231	(16,737)	(15,506)
Adjustments between accounting basis & funding basis under regulation (Note 6)	15,793	(31)	(93)	15,669	(15,670)	(1)
Movements between Reserves	(14,035)	14,025	0	(10)	10	(0)
Increase or Decrease in 2020/21	2,989	13,994	(93)	16,890	(32,397)	(15,507)
Balance at 31st March 2021	11,810	21,814	459	34,085	12,166	46,251

Comparative Year	General Fund Balance £000	Earmarked GF Balances £000	Capital Receipts Reserve £000	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
Balance at 1st April 2019	9,231	5,828	598	15,657	34,287	49,944
Movement in Reserves during 2019/20						
Total Comprehensive Income and Expenditure	4,179		0	4,179	7,635	11,814
Adjustments between accounting basis & funding basis under regulation (Note 6)	(2,286)		(49)	(2,335)	2,335	0
Movements between Reserves	(2,302)	1,992		(310)	310	(0)
Increase or Decrease in 2019/20	(409)	1,992	(49)	1,537	10,280	11,814
Balance at 31st March 2020	8,821	7,820	549	17,193	44,565	61,758

The statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the

year. The net increase/decrease line shows the statutory general fund balance movements in the year following those adjustments.

BALANCE SHEET**As at 31st March 2020 & 2021**

30th March 2020 £000		Notes	31st March 2021 £000
124,200	Property, Plant & Equipment	17	124,418
23,270	Investment Property	18	25,697
10,393	Heritage Assets	19	10,433
654	Intangible Assets		818
62	Long Term Debtors		2,141
158,579	Long Term Assets		163,507
0	Short Term Investments	20	2,000
0	Short Term Assets Held for Sale	22	5,655
166	Inventories		173
17,138	Short Term Debtors	23	18,475
10,687	Cash & Cash Equivalents	24	10,783
27,991	Current Assets		37,085
11,000	Short Term Borrowing	20	11,000
29,377	Short Term Creditors	25	41,730
1,164	Provisions	26	1,536
517	Deferred Liability	28	537
5,656	Capital Grants Receipts in Advance	15	6,644
47,714	Current Liabilities		61,447
1,400	Provisions	25	1,627
2,020	Deferred Liability	28	1,483
73,677	Other Long Term Liabilities	32	89,783
77,098	Long Term Liabilities		92,893
61,758	Net Assets		46,251
17,193	Usable Reserves	7	34,085
44,565	Unusable Reserves	30	12,166
61,758	Total Reserves		46,251

CASHFLOW STATEMENT

2019/20 £000		Notes	2020/21 £000
(4,179)	Net (surplus) or deficit on the provision of services		(5,905)
(10,329)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(17,517)
6,372	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	36	7,753
(8,138)	Net cash flows from Operating activities		
26,800	Investing Activities	37	19,152
(18,168)	Financing Activities	38	(3,579)
494	Net increase or decrease in cash & cash equivalents		(96)
(11,184)	Cash & cash equivalents at the beginning of the reporting period		(10,689)
(10,689)	Cash & cash equivalents at the end of the reporting period		(10,783)

NOTES TO THE ACCOUNTS**1 – EXPENDITURE & FUNDING ANALYSIS**For the years ending 31st March 2020 & 2021

2019/20				2020/21		
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 (See note)	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
11,603	(3,927)	7,676	Policy & Resources	10,300	(7,557)	2,743
8,943	623	9,566	Communities, Housing & Environment	8,514	2,925	11,439
1,889	2,109	3,999	Economic, Regeneration & Leisure	2,772	2,643	5,415
(473)	1,769	1,296	Strategic Planning & Infrastructure	1,251	2,347	3,598
21,962	575	22,535	Net Cost Of Services	22,837	358	23,196
(28,430)	1,713	(26,717)	Other Income & Expenditure	(8,096)	(16,331)	(24,427)
(6,470)	2,288	(4,182)	(Surplus) or Deficit	14,741	(15,973)	(1,232)
		15,056	Opening General Fund Balance			16,641
		2,597	Less/Plus Surplus or (Deficit) on General Fund Balance in Year			(15,752)
		16,641	Closing General Fund Balance at 31st March			33,626

The Expenditure and Funding Analysis shows how annual expenditure is used and funded from resources (government grants, rents and other charges, council tax and business rates) by local authorities in comparison with those resources consumed or earned by authorities in accordance with generally accepted accounting practices. It also shows how this expenditure is allocated for decision making purposes between the council’s service committees. Income and expenditure accounted for under generally accepted accounting practices is presented more fully in the Comprehensive Income and Expenditure Statement.

NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

Adjustments between Funding & Accounting Basis 2020/21				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £000	Net Change for Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Policy & Resources	(2,172)	1,687	(7,072)	(7,557)
Communities, Housing & Environment	445		2,481	2,925
Economic, Regeneration & Leisure	1,315		1,328	2,643
Strategic Planning & Infrastructure	703		1,644	2,347
Net Cost of Services	291	1,687	(1,620)	358
Other income and expenditure from the Expenditure & Funding Analysis	(291)	(1,687)	(14,353)	(16,331)
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	(15,974)	(15,974)

Adjustments between Funding & Accounting Basis 2019/20				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i) £000	Net Change for Pensions Adjustments (Note ii) £000	Other Differences (Note iii) £000	Total Adjustments £000
Policy & Resources	1,481	1,673	(7,081)	(3,927)
Communities, Housing & Environment	(1,877)		2,501	624
Economic, Regeneration & Leisure	1,842		267	2,109
Strategic Planning & Infrastructure	105		1,664	1,770
Net Cost of Services	1,551	1,673	(2,649)	575
Other income and expenditure from the Expenditure & Funding Analysis	(1,551)	(1,673)	4,937	1,713
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	0	0	2,288	2,288

Note i – Adjustments for Capital Purposes

- This column adjusts the service committees 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 the service committees 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

	2019/20	2020/21
	£000	£000
Expenditure		
Employee Benefit Expenses	24,354	22,762
Other Services Expenses	84,723	95,593
Depreciation, Amortisation, Impairment	4,294	5,214
Interest Payments	135	153
Precepts & Levies	1,936	2,129
Gain/(Loss) on the Disposal of Assets	(2,980)	(2,298)
Total Expenditure	112,462	123,553
Income		
Fees, Charges & Other Service Income	(27,239)	(26,611)
Interest & Investment Income	(217)	(36)
Income from Council Tax & NDR	(43,821)	(43,526)
Government Grants & Contributions	(45,364)	(54,611)
Total Income	(116,641)	(124,784)
(Surplus) or Deficit on the Provision of Services	(4,179)	(1,230)

2 - ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2020/21 financial year and its position at the year-end of 31st March 2021. 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 2020/21, supported by International Financial Reporting Standards (IFRS).

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

- Going concern
- Primacy of legislative requirements

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

Revenue Recognition

In accordance with IFRS 15, revenue is accounted for at the point at which services are delivered to service recipients, not necessarily when cash payments are made or received. In particular:

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.
- Accruals are recognised where the value exceeds £10,000.

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

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

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

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

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

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

Overheads & Support Services

The costs of support services and overheads are charged to those that benefit from the supply or service in accordance with the absorption costing principle. The full cost of overheads and support services is shared between users in proportion to the benefits received.

Prior Period Adjustments, Changes in Accounting Policies and Estimates & Errors

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

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

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

Value Added Tax

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

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

ROUNDING

It is not the Council's policy to adjust for immaterial cross-casting differences between the main statements and disclosure notes.

3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- There is a high degree of uncertainty about future levels of funding for local government. However, the Council has determined that this uncertainty is not yet sufficient to provide an indication of the assets of the Council might be impaired as a result of a need to close facilities and reduce levels of service provision.
- A comprehensive review of all property leases was undertaken at the end of 2017/18 to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.

- As a wholly owned subsidiary of the council, Maidstone Property Holdings Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However, the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.
- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor Park. The Council recharges the cost of providing these services to Cobtree Manor Park but does not seek to generate a surplus from the arrangement.
- In the latter part of the year 2019/20 the Covid-19 pandemic had a profound impact across service areas, businesses and the wider community testing the Council's business continuity planning arrangements. It will, in all likelihood, also have a significant adverse impact on the Council's finances and, in turn, reserve balances. This is discussed in more detail in the Narrative Report.

There will be numerous issues that will impact on local authorities as a result of the Covid-19 pandemic. Specific areas within the financial statements include:

- Valuation uncertainty in respect of property, plant and equipment, investment property and heritage assets.
- Pension Fund Assets and Liabilities – The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Further information relating to the pension scheme can be found in Note 31.
- Collectability of debt – It is likely that Covid-19 containment measures will result in an adverse impact on the Council's ability to collect debt. The impairment allowances for doubtful debts have been reviewed and increased in light of this risk. Further information can be found in Note 22.

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

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

The items in the Council’s financial statements at 31st March 2020 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Property valuations (Operational)	<p>Property valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties.</p> <p>The Council’s external valuers provided valuations for the Council’s entire investment portfolio and a proportion of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values were reflective of current appropriate values.</p> <p>The outbreak of Covid-19 has impacted global financial markets and as at the valuation date, less weight can be attached to previous market evidence to inform opinions of value. There is an unprecedented set of circumstances on which to base a judgement.</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 £7.6m. This would not impact on the general fund balance.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	<p>Valuations are therefore reported on the basis of 'material valuation uncertainty' as per the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation. At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</p>	
Fair Value of Investment Property	<p>The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.</p> <p>At the current time, it is not possible to accurately predict the longevity and severity of the impact of Covid-19 on the economy. Therefore, it has been difficult to value property</p>	<p>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	assets. Values have been based on the situation prior to Covid-19, on the assumption that values will be restored when the real estate market becomes more fluid.	
Depreciation	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.	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.
Pensions Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments. The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied. The ongoing impact of the Covid19 pandemic has created uncertainty surrounding illiquid asset values. As such, the Pension Fund property and infrastructure allocations as at 31 March 2021 are difficult to value according to preferred accounting policy.	<ul style="list-style-type: none"> • A 0.1% increase in the discount rate will reduce the net pension liability by £4.4m; • A 0.1% increase in the assumed level of pension increases will increase the net pension liability by £3.9m; • An increase of one year in longevity will increase the net pension liability by £10.5m.

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Arrears	<p>At 31st March 2021 the Council had a balance of sundry debtors for £15m. A review of significant balances suggested that an impairment allowance for bad debts of £5.3m was appropriate. The calculation of this estimate is specific to the different classes of debtor but is generally based on the age of the debt and likelihood of recoverability. Uncertainty remains as to whether or not such an allowance will be sufficient to cover non-payment of these debts.</p>	<p>If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2.6m to be set aside as an allowance.</p>
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 £6.4m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £2.5m 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 £0.636m would be required overall, and the council's share of the provision would increase by £0.254m.</p>

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	<p>These calculations are made with reference to information supplied by an external advisor, Analyse Local.</p> <p>Uncertainty exists as to whether or not the provision will be sufficient to cover refunds made following successful rateable value appeals, or whether the current provision is excessive.</p>	
Brexit	<p>The UK stopped being a member of the European Union (EU) at 23:00 GMT on 31 January 2020. However, significant uncertainty remains concerning the UK's future relationship with the EU. Current assumptions underlying asset valuations and pensions liability assume no significant impact from Brexit.</p>	<p>Depending on the circumstances of Britain's departure from the EU, it is possible that asset values may fall and/or that assumptions underlying the assessment of pensions liabilities may alter.</p>

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

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. An authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. The additional disclosures that will be required in the 2021/22 financial statements in respect of accounting changes that are introduced in the 2021/22 Code are:

- Definition of a Business: Amendments to IFRS 3 Business Combinations
- Interest Rate Benchmark Reform: Amendments to IFRS 9, IAS 39 and IFRS 7
- Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16.

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.

The implementation of IFRS 16 Leases has been deferred by another year. This means the effective date for implementation is now 1 April 2022, which would impact the statements in 2022/23.

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.

2020/21	Usable Reserves	
	General Fund balance £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	2,881	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	13,069	
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)	9,229	
Total Adjustments to Revenue Resources	25,174	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	2,973	(1,813)
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(517)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,801)	
Total Adjustments between Revenue and Capital Resources	(3,345)	(1,813)
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure		1,720
Application of capital grants to finance capital expenditure	(6,036)	
Total Adjustments to Capital Resources	(6,036)	1,720
Total Adjustments	15,793	(93)

2019/20 Comparative Figures	Usable Reserves	
	General Fund balance £000	Capital Receipts Reserve £000
Adjustments to the Revenue Resources		
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:		
Pensions Costs (transferred to (or from) the Pensions Reserve)	4,264	
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(910)	
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	5,316	
Total Adjustments to Revenue Resources	8,665	0
Adjustments between Revenue and Capital Resources		
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,384)	1,963
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(520)	
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(4,636)	
Total Adjustments between Revenue and Capital Resources	(6,540)	1,963
Adjustments to Capital Resources		
Use of the Capital Receipts Reserve to finance capital expenditure		(2,012)
Application of capital grants to finance capital expenditure	(4,411)	
Total Adjustments to Capital Resources	(4,411)	(2,012)
Total Adjustments	(2,286)	(49)

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 £33.624m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2020 £000	Contributions to/from Balances £000	31st March 2021 £000
Local Plan Review	309	(308)	0
Neighbourhood Planning	75	21	96
Planning Appeals	286		286
Trading Accounts	32		33
Civil Parking Enforcement	164	(8)	155
Future Capital Expenditure	431	700	1,131
Future Funding Pressures	1,589	(619)	969
Homelessness Prevention & Temporary Accommodation	681	92	773
Business Rates Earmarked Balances	3,887	(114)	3,773
Occupational Health & Safety	31	(31)	0
Lockmeadow Complex	335	(335)	(0)
Funding for Future Collection Fund Deficits	0	13,596	13,596
Commercial Risk	0	500	500
Invest to Save	0	500	500
Total Earmarked Reserves	7,820	13,994	21,814
Unallocated Balances	8,821	2,989	11,810
Total General Fund Reserves	16,640	16,984	33,624

Description of Earmarked Reserves:

Local Plan Review – this is funding set aside to support the review of the Local Plan, due to be completed in 2022.

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

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

Planning Appeals – This reserve was created as a contingency for potential costs of future planning appeals. This is in addition to the provision held for costs relating to known appeals.

Civil Parking Enforcement – These are ring-fenced surpluses from the on-street parking for re-investment within parking services

Housing Prevention & Temporary Accommodation – These are government grants will be used to fund homelessness prevention initiatives and a sinking fund for temporary accommodation repairs and maintenance.

Future Capital Expenditure – These are funds set-aside from balances for use on future capital projects.

Future Funding Pressures – This reserve holds funds set aside as contingency for future local government funding reforms.

Business Rates Growth – these are locally retained rates from the Kent Business Rates Pool and 2018/19 100% Pilot, which will be used to support local initiatives including the delivery of economic development activity.

Occupational Health & Safety – This reserve was created to hold funding set aside in case the need should arise to make a prosecution under occupational health and safety legislation. It replaces the annual budget previously held for this purpose.

Lockmeadow Complex – This reserve contains amounts set aside for smoothing of rental income from the Lockmeadow complex, based on projected annual fluctuations over the medium term.

Funding for Future Collection Fund Deficits – This reserve has been created to offset the impact of collection fund deficits on future revenue budgets.

Commercial Risk & Invest to Save – These amounts were previously set aside within the general fund balance, but not formally earmarked. The Commercial Risk reserve is an allowance intended to preserve the general fund balance in the event of major contract failure. The Invest to Save reserve is a fund to enable projects which will unlock future revenue savings to be delivered. It is intended that the savings would first be used to replenish the reserve before being recognised within the budget.

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.

	2019/20	2020/21
	£000	£000
Parish Council precepts	1,936	2,130
Levies	116	120
(Gains)/losses on the disposal of non-current assets	(355)	2,973
	1,698	5,223

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.

	2019/20	2020/21
	£000	£000
Interest payable and similar charges	134	152
Net Interest on the Net Defined Benefit Liability	1,673	1,687
Interest receivable and similar income	(217)	(36)
Income & Expenditure in relation to investment properties and changes in their fair value	(2,256)	1,946
	(666)	3,749

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	2019/20 £000	2020/21 £000
Council tax income	18,180	18,936
Income from Retained Business Rates	21,918	24,604
Tariff Payable	(19,028)	(19,389)
Levy Payable	(110)	(70)
Covid-19 Grants	0	4,846
Non-ringfenced Government Grants	6,788	4,472
Total	27,747	33,399
Credited to Services		
Housing Benefit Subsidy	38,958	36,898
Non-Domestic Rates - Cost of Collection	205	205
Council Tax Administration	148	146
Covid-19 Grants	0	5,736
Other Grants	1,695	1,817
Total	41,005	44,802

In 2020/21 Income from Retained Business Rates has benefited from the Council's participation in the Kent Business Rates Pool, as explained in note 2 to the Collection Fund Statement.

Covid 19 grants received during 2020/21 include £4.9m funding for discretionary business support grants, £2.5m unringfenced government grant, £2.3m sales, fees and charges compensation as well as funding for new burdens and specific grants from the Department of Health and Social Care to support the Council's Covid-19 response.

Accounting Policy – Government Grants & Contributions

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

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

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

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

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

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

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2020/21 totalled £359,191 (£359,506 in 2019/20).

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

http://www.maidstone.gov.uk/home/primary-services/council-and-democracy/additional-areas/budgets-and-spending/tier-3/councillor-allowances#councillor_allowances

13 – OFFICERS REMUNERATION

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

2020/21	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	134	3	137	24	161
Director of Finance & Business Improvement	106	1	107	19	125
Director of Regeneration & Place	106	1	107	19	125
Director of Mid-Kent Services	97	1	99	17	115

2019/20	Salary (Including Fees)	Other Payments, Allowances & Benefits in Kind	Total Remuneration excluding Pension Contributions	Pension Contributions	Total Remuneration including Pension Contributions
	£000	£000	£000	£000	£000
Chief Executive	148	3	150	21	171
Director of Finance & Business Improvement	105	1	106	15	121
Director of Regeneration & Place	105	1	106	15	121
Director of Mid-Kent Services	94	1	96	13	109

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 Chief Executive receives additional remuneration to reflect her role as the Council's Returning Officer during elections.

The Director of Mid-Kent Services is jointly funded with Swale and Tunbridge Wells Borough Councils, each making equal contributions. Therefore, Maidstone's share of the salary is one-third of the value above (£36,000).

The Monitoring Officer (Head of Mid Kent Legal Services) also sits on the Corporate Leadership Team but is paid by Swale Borough Council. Details of her remuneration are therefore within their accounts.

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

Remuneration Banding	2019/20 No. of Employees	2020/21 No. of Employees
£50,000 - £54,999	8	5
£55,000 - £59,999	5	6
£60,000 - £64,999	5	5
£65,000 - £69,999	3	3
£70,000 - £74,999	2	2
£75,000 - £79,999	2	2
£80,000 - £84,999	2	2
£85,000 - £89,999	1	1
£90,000 - £94,999	0	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2019/20	2020/21	2019/20	2020/21	2019/20	2020/21	2019/20 £000	2020/21 £000
£0 - £20,000	4	1	2	2	6	3	36	16
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £80,000	1	0	0	0	1	0	24	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	5	1	2	2	7	3	60	16

14 - EXTERNAL AUDIT COSTS

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

	2019/20 £000	2020/21 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	46	53
Rebate from Public Sector Audit Appointments Ltd.	(5)	0
Fees payable for the certification of grant claims and returns during the year	22	44
Total	63	97

15 – CAPITAL GRANTS RECEIPTS IN ADVANCE

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

	2019/20	2020/21
	£000	£000
Balance at start of year:	4,723	5,655
Grants Received	5,439	7,130
Funding used for capital expenditure	(4,507)	(6,141)
Balance at end of year:	5,655	6,644

The majority of the balance (£3.956m) relates to Section 106 monies held by the Council for future use. There is also a further £2.0m held for disabled facilities grants which is an ongoing area of work for the Council.

16 - RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework within which the Council operates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 1 – the Expenditure & Funding Analysis.

Members and Senior Officers

Members of the Council have direct control over the Council’s financial and operating policies. The total of Members’ Allowances paid in 2020/21 is shown in Note 12.

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

The following officers are Directors of Maidstone Property Holdings Ltd, which is a wholly owned subsidiary of the Council.

- Director of Regeneration and Place

- Head of Housing and Community Services
- Head of Commissioning & Business Improvement, Transformation & Digital Services
- Principal Lawyer - Commercial

The Balance Sheet as at 31st March 2021, reflects £138,340 (2019/20, £169,094) which is payable from Maidstone Property Holdings to Maidstone Borough Council, relating to income and expenditure for the 2020/21 financial year.

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

Movements in 2020/21	Infrastructure Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuations								
At 1st April 2020	5,073	94,621	16,956	1,751	4,460	3,701	6,088	132,651
Additions	1,149	5,738	489	273	55	298	15,545	23,547
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(5,130)	0	0	0	0	0	(5,130)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(4,301)	0	0	0	0	0	(4,301)
Derecognition of assets	0	(79)	(62)	(100)	(53)	0	0	(294)
Other movements in cost or valuation	0	250	(305)	55	0	0	0	0
At 31st March 2021	6,222	91,099	17,078	1,979	4,462	3,999	21,633	146,473
Accumulated Depreciation & Impairment								
At 1st April 2020	(3,638)	(3,868)	(7,137)	(785)	(3,350)	0	0	(18,779)
Depreciation charge	(291)	(3,033)	(1,021)	(350)	(397)	0	0	(5,092)
Depreciation written out to the Revaluation Reserve	0	1,620	0	0	0	0	0	1,620
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition of assets	0	0	62	81	53	0	0	196
At 31st March 2021	(3,929)	(5,281)	(8,096)	(1,054)	(3,694)	0	0	(22,055)
Net Book Value								
At 31st March 2021	2,293	85,818	8,982	925	768	3,999	21,633	124,418
At 31st March 2020	1,435	90,746	9,779	959	1,161	3,701	16,419	124,200

Movements in 2019/20	Infrastructure Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuations								
At 1st April 2019	4,352	67,137	13,898	1,544	4,825	3,436	8,545	103,739
Additions	517	23,681	1,128	869	92	265	11,198	37,750
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	3,241	0	0	0	0	0	3,241
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(261)	0	0	0	0	0	(261)
Rerecognition of Assets	0	(351)	(857)	(662)	(458)	0	(16)	(2,344)
Other movements in cost or valuation	204	1,172	2,787	0	0	0	(3,308)	855
At 31st March 2020	5,073	94,619	16,956	1,751	4,459	3,701	16,419	142,980
Accumulated Depreciation & Impairment								
At 1st April 2019	(3,375)	(4,007)	(6,889)	(1,106)	(3,269)	0	0	(18,646)
Depreciation charge	(263)	(2,208)	(985)	(296)	(407)	0	0	(4,159)
Depreciation written out to the Revaluation Reserve	0	2,343	0	0	0	0	0	2,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Derecognition of Assets	0	0	697	609	378	0	0	1,684
At 31st March 2020	(3,638)	(3,872)	(7,177)	(793)	(3,298)	0	0	(18,778)
Net Book Value								
At 31st March 2020	1,435	90,746	9,779	959	1,161	3,701	16,419	124,200
At 31st March 2019	979	63,125	7,010	439	1,556	3,433	8,545	85,088

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.

Statement of Accounts 2020/21 (Draft – subject to external audit) **APPENDIX 1**

Analysis of Land & Buildings Movements 2020/21	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Entertainment Complex	Halls & Pavilions	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations																
At 1st April 2020	16,274	2,166	1,960	22,500	3,469	12,228	285	8,056	1,720	12,465	748	1,680	4,961	4,960	1,150	94,621
Additions		3		4,150	4	1,514	63								4	5,738
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,352)			(1,644)		9		(165)	(605)	(1,165)	970	(179)				(5,130)
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(595)			(3,574)		(131)										(4,301)
Derecognition of Assets				(79)												(79)
Other movements in cost or valuation											250					250
At 31st March 2021	13,327	2,169	1,960	21,353	3,473	13,620	347	7,891	1,115	11,300	1,968	1,501	4,961	4,960	1,154	91,099
Accumulated Depreciation & Impairment																
At 1st April 2020	12	(23)	17	(150)	(788)	(1,499)	(39)	(51)	(15)	(78)	(93)	(405)	(720)	(29)	(7)	(3,868)
Depreciation charge		(38)	(38)	(450)	(361)	(1,076)		(149)	(27)	(236)	(56)	(101)	(392)	(90)	(18)	(3,033)
Depreciation written out to the Revaluation Reserve				600				199		315		506				1,620
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																0
Other movements in cost or valuation																0
At 31st March 2021	12	(61)	(21)	0	#####	(2,575)	(39)	(2)	(42)	1	(149)	(0)	(1,112)	(119)	(25)	(5,281)
Net Book Value																
At 31st March 2021	13,339	2,108	1,940	21,353	2,324	11,045	308	7,889	1,073	11,301	1,819	1,501	3,849	4,841	1,129	85,818
At 31st March 2020	16,286	2,143	1,978	22,350	2,681	10,721	246	8,005	1,705	12,387	655	1,275	4,240	4,931	1,143	90,751

Statement of Accounts 2020/21 (Draft – subject to external audit) **APPENDIX 1**

Analysis of Land & Buildings Movements 2019/20	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Entertainment Complex	Halls & Pavilions	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations																
At 1st April 2019	15,789	2,182	1,855	0	3,435	9,174	197	8,561	1,059	12,303	748	1,680	4,808	4,285	1,057	67,133
Additions		101	8	20,288	34	3,051		36		93			17	26	26	23,681
Revaluation increases/(decreases) recognised in the Revaluation Reserve	775	(81)		1,077		385	88	(541)	661	70			99	709	0	3,241
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services		(36)	97			(377)				(1)					66	(252)
Derecognition of Assets	(290)													(60)		(350)
Other movements in cost or valuation				1,135									37			1,172
At 31st March 2020	16,274	2,166	1,960	22,500	3,469	12,232	285	8,056	1,720	12,465	748	1,680	4,961	4,960	1,150	94,625
Accumulated Depreciation & Impairment																
At 1st April 2019	12	(269)	(75)		(427)	(1,271)	(39)	(68)	(63)	(679)	(18)	(304)	(878)	118	(49)	(4,010)
Depreciation charge		(20)	(13)	(150)	(361)	(966)		(50)	(13)	(79)	(75)	(101)	(345)	(30)	(6)	(2,208)
Depreciation written out to the Revaluation Reserve		266	106			730		66	61	680			503	(117)	48	2,343
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																0
Other movements in cost or valuation																0
At 31st March 2020	12	(23)	17	(150)	(788)	(1,506)	(39)	(51)	(15)	(78)	(93)	(405)	(720)	(29)	(7)	(3,875)
Net Book Value																
At 31st March 2020	16,286	2,143	1,978	22,350	2,681	10,726	246	8,005	1,705	12,387	655	1,275	4,240	4,931	1,143	90,751
At 31st March 2019	15,801	1,913	1,779	0	3,009	7,903	158	8,492	996	11,623	730	1,376	3,930	4,403	1,008	63,126

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

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

Capital Commitments

As at 31st March 2021 the Council had the following capital commitments:

Project	£000
Union Street housing development *	108
Brunswick Street housing development *	147
Springfield Mill housing development	2,060
Mall Bus Station *	936
Kent Medical Campus - Innovation Centre *	1,637
Mote Park Visitor Centre	2,590

The figures for schemes marked with an asterisk are net of committed external funding that the Council will receive.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at current value is revalued at least every 5 years. All valuations were carried out externally by Harrisons Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 31st March 2021 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	6,222	3,999	1,782	17,078	1,979	4,462	21,632	57,154
Valued at current value as at:								
31st March 2017			0					0
31st March 2018			9,218					9,218
31st March 2019			4,225					4,225
31st March 2020			20,208					20,208
31st March 2021			55,666					55,666
Total Cost or Valuation	6,222	3,999	91,099	17,078	1,979	4,462	21,632	146,473

Accounting Policy – Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer. The useful lives range from 4 to 50 years.
- Vehicles, Plant, Furniture & Equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.
- Infrastructure - straight-line allocation over 20 years.

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

18 - INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

	2019/20	2020/21
	£000	£000
Rental income from investment property	(2,315)	(2,961)
Direct operating expenses arising from investment property	940	994
Net gain/(loss)	(1,375)	(1,967)

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

	2019/20	2020/21
	£000	£000
Balance at start of the year	23,014	23,270
Additions	14	2,027
Transfers	(854)	
Net gains/losses from fair value adjustments	1,096	400
Balance at end of year	23,270	25,697

During the year the Wren Industrial Estate in Maidstone was acquired by the Council.

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

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

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

Accounting Policy – Investment Properties

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

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

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund

Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

Accounting Policy – Fair Value Measurement

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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

Cost or Valuation	Museum Exhibits £000	War Memorials £000	Statues & Sculptures £000	Other Items £000	Total Assets £000
1st April 2020	9,090	480	515	308	10,393
Additions				40	40
Disposals					0
31st March 2021	9,090	480	515	348	10,433
1st April 2019	9,090	480	515	308	10,393
Additions					0
Disposals					0
31st March 2020	9,090	480	515	308	10,393

Museum Exhibits

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

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

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

War Memorials

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

Statues and Sculptures

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

Other Items

This relates to three items, the civic regalia used by the Mayor, the 'Elemental' art installation on the bridge across the River Medway, and a new piece of public art (a metal sculpture of a dinosaur) installed outside Maidstone East station as part of the recent public realm project. The civic regalia have been valued by a local jeweller for insurance purposes, and the art installation and the new installation have been valued at purchase cost.

Listed Buildings and Other Heritage Assets

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

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

Accounting Policy – Heritage Assets

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

20 - FINANCIAL INSTRUMENTS

Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities:

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

Financial Assets:

The Council regularly holds the following financial instruments at amortised cost:

- Deposits with financial institutions and local authorities
- Money Market Funds; and
- Service Loans.

The Council also maintains a continuously 'rolling' portfolio of Debtors (also held at amortised cost).

Financial assets measured at amortised cost are recognised on the Balance Sheet when the Council becomes party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at amortised cost. Annual credits to the Financing and

Investment Income and Expenditure line in the Comprehensive Income and Expenditure Statement (CIES) for interest receivable are based on the carrying amount of the asset multiplied by the effective rate of interest for the instrument. For most of the financial assets held by the Council, this means that the amount presented in the Balance Sheet is the outstanding principal receivable (plus accrued interest) and interest credited to the CIES is the amount receivable for the year in the loan agreement.

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

	Long-term		Short-Term	
	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000	31st March 2021 £000
Treasury Investments				
Financial assets at amortised cost	0	0	11,025	16,160
Debtors				
Financial assets at amortised cost	0	37	10,630	10,832
Loans				
Financial liabilities at amortised cost	0	0	11,000	11,000
Creditors				
Financial liabilities at amortised cost	0	0	13,926	16,397
Other Long Term Liabilities				
Finance Lease Liabilities at amortised cost	2,020	1,473	517	537

On the face of the Balance Sheet, Financial Assets are held at Amortised Cost where the business model for the Council is to collect contractual cash flows. £3m of Treasury Investments are held by a local authority, with the remaining £13.16m invested in notice and call accounts. The Council has no long-term treasury funds invested at the year end. Debtors includes two service loans to third parties, Kent Savers £25k Long Term and One Maidstone £30k (Business Improvement District Levy). The Council has no long-term debtors, and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council has taken out short term loans with other local authorities of £11m. £7m was required to fund the purchase of the Lockmeadow Leisure Complex back in 2019, the remaining £4m is funding other areas of the Council's capital programme. All loans during the year have been rolled over short term due to the fact that short term rates are at all time lows.

Other Long-Term Liabilities relates to the services concession arrangement between the Council and Serco, the managing contractor of Maidstone Leisure Centre. Details of this arrangement are discussed within 27 – Private Finance Initiatives & Similar Contracts.

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

Income & Expense

	Long-term		Short-Term	
	31st March 2020 £000	31st March 2021 £000	31st March 2020 £000	31st March 2021 £000
Income:				
Financial assets at amortised cost	0	0	208	30
Other Interest	0	0	9	6
Total	0	0	217	36
Expenditure:				
Financial liabilities at amortised cost	0	0	24	38
Total	0	0	24	38

Expected Credit Loss Model

The Council considers the potential for credit losses on financial assets held at amortised cost either on a 12-month basis, where risk has not increased significantly or remains low, or lifetime basis, where risk has increased significantly (Simplified model - Debtors only). An exception is:

- Deposits with local authorities – credit losses are not recognised for deposits held with central Government or other local authorities due to statutory provisions (the Local Government Act 2003), which prevent default.
- Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default (triggering a credit loss) on their obligations.
- With regard to Debtors, an Impairment Allowance for Bad Debts (IABD) is applied annually based on a set of assumptions on the collectability of external debts based on past experience and future expectations.

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

- Level 1 – fair value is only derived from quoted prices in active markets for identical assets or liabilities
- Level 2 – fair value is calculated from inputs other than those quoted prices, that are observable for the asset or liability
- Level 3 – fair value is determined using unobservable inputs, e.g. non-market data such as cash flow forecasts or estimated creditworthiness

All valuations on Council's financial assets and liabilities uses level 2.

The accounts are required to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell

at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

The fair value of investments is shown in the table below with the level in the fair value hierarchy.

	31st March 2020		Fair Value Level	31st March 2021	
	Book Value £000	Fair Value £000		Book Value £000	Fair Value £000
Financial Assets					
Long Term Investments	0	0	2	0	0
Short Term Investments (less than 1 yr)	11,056	11,056	2	16,177	16,177
Financial Liabilities					
Short Term Loans with other LAs	11,024	11,025	2	11,003	11,004

21 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Treasury Management Strategy 2020/21

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

- to utilise cash balances rather than loan debt to finance the capital programme in the short term, due to low investment returns and high counterparty risk in the current economic climate;
- to further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments are considered. Greater use of Local Authority investments will be sought due to the high security of the borrower which enables investment over a longer period where funds are not required immediately.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council’s customers. The Council manages credit risk by

ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

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

As at 31st March 2021 investments were held with the following institutions:

	31st March 2020 £000	31st March 2021 £000
AAA rated Institutions	5,025	0
AA+ rated Institutions	0	0
AA rated Institutions	0	2,280
AA- rated Institutions	3,000	2,880
A+ rated Institutions	1,000	8,000
A rated Institutions	0	0
A- rated Institutions	0	0
BBB+ rated Institutions	0	0
Unrated Local Authorities	2,000	3,000
UK Government	0	0
Total	11,025	16,160

Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes. However, provision has also been made with the current Treasury Management Strategy to have an authorised debt limit of £66.68m to fund on-going schemes in the event of projected capital receipts not being realised.

Refinancing and Maturity Risk

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

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

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

Market Risk – Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority'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 central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

Foreign Exchange Risk

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

22 – ASSETS HELD FOR SALE

The £5.655m figure represents properties at the Union Street housing development that will be sold privately or transferred to a registered social housing provider.

23 – SHORT AND LONG TERM DEBTORS

Short Term Debtors

	2019/20 (Restated) £000	2020/21 £000
Central government bodies	739	1,675
Other local authorities	6,903	8,160
Other entities and individuals	14,449	15,088
Total	22,090	24,924

Allowance for Bad Debts

	2019/20 £000	2020/21 £000
Excess Charges Impairment Allowance	817	1,184
Sundry Bad Debts Impairment Allowance	4,134	5,265
Total	4,952	6,449

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £18.475m.

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

	2019/20 (Restated) £000	2020/21 £000
Council Tax payers	1,204	1,534
Business Rate payers	1,470	1,938
Capital debtors	560	1,022
General debtors	9,507	8,362
Payments in Advance	575	802
Other miscellaneous amounts	1,133	1,430
Total	14,449	15,088

Following a reanalysis of the other entities and individuals figures the 2019/20 comparators have been adjusted.

Long Term Debtors

Part of the debtors balance with other Local Authorities (£2.1m) has been classified as a long term debtor for 2020/21, due to the requirement to spread collection fund deficits with preceptors over three years. This means that two thirds of the 'exceptional' balance calculated for spreading purposes will not be recovered from preceptors until 2022/23 and 2023/24.

24 - CASH & CASH EQUIVALENTS

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

	2019/20 £000	2020/21 £000
Cash held by the Council	3	3
Bank current accounts	(341)	(3,380)
Short-term deposits	11,025	14,160
Total	10,687	10,783

Accounting Policy – Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Currently, due to the requirement of funding for its liabilities, £14.16m of Council investments are classified as cash and cash equivalents.

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

25 – CREDITORS

Short Term

	2019/20	2020/21
	£000	£000
Central government bodies	4,960	13,160
Other local authorities	4,820	4,878
Other entities and individuals	19,598	23,691
Total	29,377	41,730

The movement in the balances for Central Government is a reflection of additional business grants and an increase in income in advance.

The movement in other entities and individuals reflects an increase in Section 106 monies received from developers that will be passed onto other organisations, primarily Kent County Council and the NHS.

Other entities and individuals are broken down as follows:

	2019/20	2020/21
	£000	£000
General creditors	2,423	4,437
Capital creditors	1,379	1,416
Council tax payers	193	0
Business Rate payers	220	0
Receipts in advance	5,259	7,293
Deposits	9,839	9,978
Retentions	285	566
Total	19,598	23,691

26 - PROVISIONS

Provision for Appeals

	2019/20	2020/21
	£000	£000
Business Rates Appeals - Current	774	1,261
Business Rates Appeals - Backdated	1,355	1,283
Planning Appeals	261	261
Other Provisions	0	190
Total	2,391	2,995

The Council is required to account for the effect of Business Rates appeals which were previously borne by the national pool. The balance represents the Council's 40% share of the estimated current and backdated appeals.

A provision has also been established to allow for costs that could arise from potential planning appeals.

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

Accounting Policy – Provisions

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

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

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

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

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 2021 are summarised in the following table. The figures for 2019/20 are the audited figures, which differ

from those in the 2019/20 Statement of Accounts, as the audit took place after that was published.

	2019/20	2020/21
	£000	£000
Fixed Assets:		
Tangible Assets	2,824	2,553
Investment Property	1,010	1,000
Investments	670	825
	4,505	4,378
Current Assets	247	500
Current Liabilities	73	284
Creditors: Amounts falling due after more than one year	232	135
Total assets less current liabilities	4,448	4,459
Total Charitable Funds	4,448	4,459

Gross expenditure in 2020/21 totalled £447,662 (£365,876 in 2019/20). Gross income in 2020/21 totalled £431,008 (£463,350 in 2019/20).

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

	2019/20	2020/21
	£000	£000
Balance outstanding at start of year	3,057	2,537
Repayment of principal	(520)	(517)
Balance outstanding at end of year	2,537	2,020

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

Accounting Policy – Deferred Liability

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

Accounting Policy – Minimum Revenue Provision

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

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

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 2020 £000	31st March 2021 £000
Balance at 1st April	597	549
Capital Receipts Received	1,963	1,723
Capital Receipts Applied	(2,012)	(1,813)
Balance at 31st March	549	459

30 - UNUSABLE RESERVES

	31st March 2020 £000	31st March 2021 £000
Revaluation Reserve	44,240	40,883
Capital Adjustment Account	74,197	74,327
Deferred Capital Receipts Reserve	8	7
Pensions Reserve	(73,677)	(89,783)
Collection Fund Adjustment Account	(26)	(13,095)
Accumulated Absences Account	(174)	(172)
Total Unusable Reserves	44,565	12,166

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 2020 £000	31st March 2021 £000
Balance at 1st April	38,826	44,248
Upward revaluation of assets	5,568	(3,512)
Downward revaluation of assets		
Difference between fair value depreciation and historical cost depreciation	(144)	146
Balance at 31st March	44,248	40,883

b) Capital Adjustment Account

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

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

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

	31st March 2020 £000	31st March 2021 £000
Balance at 1st April	68,058	74,197
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(4,160)	(5,094)
Amortisation of intangible assets	(135)	(121)
Revaluation Gains/Losses on Property, Plant & Equipment	(578)	(4,319)
Revenue expenditure funded from capital under statute	(1,799)	(845)
Write-off of non-enhancing capital expenditure	(58)	(79)
	(6,729)	(10,457)
Adjusting amounts written out of the Revaluation Reserve	(117)	(135)
Net written out amount of the cost of non-current assets consumed in the year	(6,846)	(10,592)
Capital financing applied in the year:		
Minimum Revenue Provision	0	798
Sums set aside for Debt Repayment	520	517
Use of the Capital Receipts Reserve to finance new capital expenditure	2,012	1,813
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	4,411	1,360
Capital expenditure charged against the General Fund balance	4,946	5,833
	11,888	10,321
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	1,096	400
Balance at 31st March	74,197	74,326

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.

	2019/20	2020/21
	£000	£000
Opening balance at 1 April	71,481	73,677
Remeasurements of the net defined liability	(2,068)	13,225
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	9,036	6,690
Employer's pensions contributions	(4,772)	(3,809)
Closing balance at 31 March	73,677	89,783

d) Collection Fund Adjustment Account

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

	31st March	31st March
	2020	2021
	£000	£000
Balance at 1st April	935	26
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	346	(131)
- Non-domestic Rates	(1,256)	13,200
Balance at 31st March	26	13,095

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.

	2019/20 £000	2020/21 £000
Opening Capital Finance Requirement	12,114	40,527
Capital Investment		
Property, Plant & Equipment	37,695	23,494
Non-enhancing capital expenditure	56	79
Investment Properties	10	2,027
Intangible Assets	222	285
Revenue Expenditure Funded from Capital Under Statute	1,799	845
	39,782	26,730
Sources of Finance		
Capital receipts	(2,012)	(1,813)
Government grants & other contributions	(4,721)	(6,067)
New Homes Bonus	(3,881)	(4,472)
Other Revenue Contributions	(755)	(1,329)
	(11,368)	(13,681)
Increase in Capital Financing Requirement	28,414	13,049
Closing Capital Finance Requirement	40,527	53,576

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. In this instance the funding will come from internal borrowing using existing cash balances, in accordance with the agreed Treasury Management Strategy for 2020/21.

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 (LGPS), administered locally by Kent County Council – this is a funded defined benefit Career Average Revalued Earnings (CARE) pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

Transactions Relating to Post-employment Benefits

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

	2019/20 £000	2020/21 £000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	6,233	5,003
- Past service costs including curtailments	1,130	0
Financing and Investment Income & Expenditure:		
- Net interest expense	1,673	1,687
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	9,036	6,690
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)	(11,199)	28,386
- Actuarial gains and losses arising on changes in financial assumptions	16,436	(46,104)
- Actuarial gains and losses arising on changes in demographic assumptions	2,631	2,056
- Experience gains and losses on defined benefit obligation	(4,952)	2,437
- Other actuarial gains and losses	(848)	0
Total Post Employment Benefit Charged to the CI&ES	11,104	(6,535)
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	9,036	6,690
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(4,772)	(3,809)
	4,264	2,881

Curtailments

No employees were permitted to take unreduced early retirement that they would not otherwise have been entitled to over the past 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 (2019/20 £nil).

McCloud Case

An allowance has been made to reflect the Court of Appeal judgement in respect of the McCloud case which related to age discrimination within pension schemes. This was incorporated into the accounting results as at 31 March 2020. These results, including the allowance, have been rolled forward and remeasured to obtain the accounting results as at 31 March 2021.

On 16 July 2020, the Government published a consultation on the proposed remedy to be applied to LGPS benefits in response to the McCloud case. The consultation closed on 8 October 2020 and the final remedy will only be known after the consultation responses have been reviewed and a final set of remedial Regulations are published. Based on our actuary's advice, we do not consider that there are any material differences between the approach underlying the estimated allowance and the proposed remedy, so no adjustment has been included in light of the ongoing consultation.

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:

	2019/20	2020/21
	£000	£000
Present value of funded obligation	175,391	221,430
Fair value of plan assets	(103,305)	(133,210)
Contributions by scheme participants	72,086	88,220
Present value of unfunded obligation	1,591	1,563
Net liability arising from defined benefit obligation	73,677	89,783

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

	2019/20	2020/21
	£000	£000
Opening fair value of Scheme assets	113,698	103,305
Interest on assets	2,716	2,417
Return on assets less interest	(11,133)	28,471
Administration expenses	(66)	(85)
Contributions by employer including unfunded	3,642	3,809
Contributions paid by scheme participants	939	981
Estimated benefits paid plus unfunded net of transfers in	(5,643)	(5,688)
Other actuarial gains/(losses)	(848)	0
Closing fair value of Scheme assets	103,305	133,210

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

	2019/20	2020/21
	£000	£000
Opening balance at 1 April	185,179	176,982
Current Service cost	5,103	5,003
Interest cost	4,389	4,104
Change in financial assumptions	(16,436)	46,104
Changes in demographic assumptions	(2,631)	(2,056)
Experience loss/(gain) on defined benefit obligation	4,952	(2,437)
Past service costs, including curtailments	1,130	0
Estimated benefits paid net of transfers in	(5,491)	(5,541)
Contributions by Scheme participants	939	981
Unfunded pension payments	(152)	(147)
Closing balance at 31 March	176,982	222,993

Local Government Pension Scheme Assets

	31st March 2020		31st March 2021	
	£000	%	£000	%
Equities	63,552	61%	85,777	65%
Gilts	803	1%	792	1%
Other Bonds	13,465	13%	16,636	12%
Property	14,056	14%	13,787	10%
Cash	2,704	3%	6,605	5%
Absolute return fund	8,725	8%	9,613	7%
Total	103,305	100%	133,210	100%

Basis for Estimating Assets and Liabilities

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

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Kent County Council Pension Fund are based on the full valuation of the scheme as at 31st March 2019.

The principal assumptions used by the actuary have been:

	2019/20	2020/21
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	21.8	21.6
- Women	23.7	23.6
Longevity at 65 for future pensioners		
- Men	23.2	22.9
- Women	25.2	25.1
Financial Assumptions		
RPI increases	2.75%	3.20%
CPI increases	1.95%	2.80%
Salary increases	3.85%	3.80%
Pension increases	2.35%	2.80%
Discount Rate	2.55%	2.00%

The long term assumption made by the actuary is that salaries will increase at 1% p.a. above CPI.

Sensitivity Analysis

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

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	218,641	222,993	227,436
- Projected Service Cost	7,261	7,526	7,800
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	223,498	222,993	222,493
- Projected Service Cost	7,530	7,526	7,522
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	226,892	222,993	219,171
- Projected Service Cost	7,797	7,526	#####
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
- Present Value of Total Obligation	233,457	222,993	213,030
- Projected Service Cost	7,838	7,526	7,226

Scheme History

	2016/17	2017/18	2018/19	2019/20	2020/21
	£000	£000	£000	£000	£000
Present value of defined benefit obligation in the Local Government Pension Scheme	(183,756)	(182,032)	(183,242)	(175,391)	(221,430)
Fair value of assets in the Local Government Pension Scheme	104,482	106,524	113,698	103,305	133,210
Present value of unfunded obligation	(2,260)	(2,110)	(1,937)	(1,591)	(1,563)
Surplus/(Deficit) in the scheme	(81,534)	(77,618)	(71,481)	(73,677)	(89,783)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £89.783m 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 2022 are £3.690m

Accounting Policy – Employee Benefits

Benefits Payable During Employment

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

Post-Employment Benefits

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

- The liabilities of the KCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.
- Liabilities are discounted to their value at current prices, using a discount rate specified by the actuaries (based on the indicative rate of return on high quality corporate bonds.)
- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:
 - Quoted securities – current bid price
 - Unquoted securities – professional estimate
 - Unitised securities – current bid price
 - Property – market value

- The change in net pensions liability is analysed into the following components:
 - Service cost which comprises:
 - Current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked.
 - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement.
 - Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing & Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement.
 - Re-measurements comprising:
 - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
 - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
 - Contributions paid to the Kent County Council pension fund – cash paid as employer’s contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

Contributions to the pension scheme are determined by the Fund’s actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2019.

Discretionary Benefits

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

33 – LEASES

Finance Leases – Council as Lessee

The Council currently has a number of arrangements which it classifies as finance leases, including vehicles and the operation of the leisure centre.

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

	31st March 2020 £000	31st March 2021 £000
Not more than 1 year	559	558
Later than 1 year and not later than 5 years	2,030	1,473
Later than 5 years	0	0
	2,589	2,031

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 **(DATE TO BE CONFIRMED)**. 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 2021 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

	2019/20	2020/21
	£000	£000
Depreciation	(4,160)	(5,094)
Revaluation Gains & Losses	(839)	(4,319)
Amortisation of Intangible Assets	(135)	(121)
Movement in Creditors	(2,908)	(4,556)
Movement in Debtors	869	(354)
Movement in Inventories	69	7
Movement in Pension Liabilities	(4,264)	(2,881)
Other Non-Cash items	1,038	(198)
	(10,328)	(17,517)

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

	2019/20 £000	2020/21 £000
Capital Grants credited to surplus or deficit on the provision of services	4,411	6,036
Proceeds from sale of Property, Plant & Equipment	1,961	1,717
	6,372	7,753

37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2019/20 £000	2020/21 £000
Purchase of property, plant & equipment, investment property and intangible assets	38,246	25,901
Purchase of short-term and long-term investments	0	2,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,963)	106
Proceeds from short-term and long-term investments	(4,000)	(1,718)
Other payments for investing activities	0	0
Other receipts for investing activities (Grants)	(5,482)	(7,137)
Net cash flows from investing activities	26,800	19,152

38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2019/20 £000	2020/21 £000
Cash receipts of short- and long-term borrowing	(11,000)	0
Repayments of short & long-term borrowing	520	538
Other payments for financing activities	(7,688)	(4,116)
Net cash flows from financing activities	(7,168)	(3,578)

COLLECTION FUND STATEMENT & NOTES

Statement of Accounts 2020/21 (Draft – Subject to external audit) **APPENDIX 1**

2019/20 £000		2020/21 £000
INCOME		
117,579	Income From Council Tax	124,005
60,304	Income From Business Rates (Note 2)	31,730
177,883	Total Income	155,735
EXPENDITURE		
	Precepts and Demands - Council Tax	
82,402	Kent County Council	85,653
12,227	Kent Police & Crime Commissioner	12,877
18,503	Maidstone Borough Council	18,966
4,933	Kent Fire & Rescue Authority	5,026
	Shares of Business Rates	
25,411	Central Government	31,281
6,808	Kent County Council	4,308
21,843	Maidstone Borough Council	24,128
546	Kent Fire & Rescue Authority	603
985	Transitional Protection Payments - Business Rates	915
173	Disregarded Amounts - Business Rates	154
	Impairment of Debts - Council Tax	
260	Write offs of uncollectable amounts	190
1,401	Additional / (Reduced) Impairment of Aged Debt	1,760
	Impairment of Debts/Appeals - Business Rates	
823	Write offs of uncollectable amounts	242
119	Additional / (Reduced) Impairment of Aged Debt	808
(746)	Losses on appeal	(1,197)
1,354	Additional / (Reduced) Provision For Appeals	2,231
205	Cost of Collection Allowance - Business Rates	205
177,249	Total Expenditure	188,151
634	Surplus/(Deficit) For Year	(32,417)
(1,118)	Surplus/(Deficit) Brought Forward From Previous Years	(484)
193	Surplus/(Deficit) on Council Tax	(660)
(678)	Surplus/(Deficit) on Business Rates	(32,628)
(484)	Surplus/(Deficit) as at 31st March 2021	(33,288)

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.

Collection fund income has been impacted significantly by the Covid-19 pandemic, which is reflected in the deficit figures shown in the statement on the preceding page.

As part of the government's support package to businesses in response to the Covid-19 pandemic, 100% business rates relief was granted to retail, hospitality, leisure businesses and nurseries for 2020/21. The government has reimbursed the council for business rates income lost as a result of the expanded reliefs, through grants amounting to £27.9m, of which £12.3m will be retained by Maidstone. However, as required under statute, these grants are credited to the general fund, leaving a significant deficit on the collection fund from the reduction in amounts collected from ratepayers. This deficit will be repaid from the general fund and by preceptors over the coming years.

Collection rates for Council Tax have been impacted by the Covid-19 pandemic as measures to pursue non-payment were put on hold at the end of March. Therefore telephone chasing and additional reminder letters which would normally have taken place over the first quarter of the year were suspended and are likely to have adversely impacted on the overall in-year collection rate. Furthermore, the council has observed a 13.6% increase in its Local Council Tax Support caseload since pre-Covid-19 budget expectations were set for 2020/21.

Notes to the Collection Fund

Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 1st April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner, Kent Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the Council Tax base which is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 63,319.8 for 2020/21 (62,033.4 for 2019/20) (see table below.) This basic amount of Council Tax for a Band D property, £1,899.29 for 2020/21 (£1,830.79 for 2019/20), 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)	2	5/9	1.1
Band A	2,591	6/9	1,727.5
Band B	6,445	7/9	5,012.9
Band C	15,679	8/9	13,936.6
Band D	16,465	9/9	16,465.1
Band E	9,032	11/9	11,038.8
Band F	5,325	13/9	7,691.7
Band G	3,946	15/9	6,576.8
Band H	337	18/9	673.0
Other	0		196.3
			63,319.8

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 51.2p / £ Rateable Value (50.4p in 2019/20)
- Small Business Multiplier 49.9p / £ Rateable Value (49.1p in 2019/20)

The rateable value at 31st March 2021 was £150.243m (£147.123m at 31st March 2020).

For 2020/21, it was calculated that the Council would receive £24.128m in business rates (£21.843m in 2019/20).

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies. A significant proportion of Maidstone's retained share (£19.339m in 2020/21, £19.028m in 2019/20) is subsequently 'top-sliced' and returned to the Government for redistribution across local government.

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

Since April 2013, the Council has participated in a pooled arrangement with Kent County Council, Kent Fire and Rescue Authority and other district councils in Kent in order to minimise the levy payment due to Central Government and thereby maximise the retention of locally generated Business Rates.

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

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

INDEPENDENT AUDITOR'S REPORT

To follow