



**STATEMENT OF ACCOUNTS 2022/23**  
**(Draft – 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, Resources & 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, Resources & Business Improvement's Responsibilities**

The Director of Finance, Resources & 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, Resources & 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, Resources & 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 31<sup>st</sup> March 2023.

### **Signed:**

Mark Green, Director of Finance, Resources & Business Improvement

### **Date:**

## PRIMARY STATEMENTS

### COMPREHENSIVE INCOME & EXPENDITURE STATEMENT - For the years ending 31<sup>st</sup> March 2022 & 2023

| 2021/22 (Restated)        |                      |                         |   | 2022/23                   |                      |                         |
|---------------------------|----------------------|-------------------------|---|---------------------------|----------------------|-------------------------|
| Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 | Committee (See note)  | Gross Expenditure<br>£000 | Gross Income<br>£000 | Net Expenditure<br>£000 |
| 46,539                    | (42,572)             | 3,968                   | Corporate Services  | 46,157                    | (39,655)             | 6,502                   |
| 29,327                    | (14,373)             | 14,953                  | Communities, Housing & Environment  | 25,944                    | (12,035)             | 13,909                  |
| 15,432                    | (6,331)              | 9,101                   | Economic Regeneration & Leisure   | 7,351                     | (5,092)              | 2,260                   |
| 8,410                     | (7,090)              | 1,320                   | Planning & Infrastructure   | 8,396                     | (6,305)              | 2,091                   |
| <b>99,709</b>             | <b>(70,367)</b>      | <b>29,342</b>           | <b>Cost Of Services</b>   | <b>87,848</b>             | <b>(63,087)</b>      | <b>24,761</b>           |
|                           |                      | 1,428                   | Other Operating Expenditure (Note 9)  | 2,570                     | (1,226)              | 1,344                   |
|                           |                      | (3,123)                 | Financing and Investment Income and Expenditure (Note 10)   | 1,395                     | (2,178)              | (783)                   |
|                           |                      | (30,105)                | Taxation and Non-Specific Grant Income and Expenditure (Note 11)                                    | 20,631                    | (51,219)             | (30,589)                |
|                           |                      | <b>(2,458)</b>          | <b>(Surplus) or Deficit on Provision of Services</b>  |                           |                      | <b>(5,266)</b>          |
|                           |                      |                         | <b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b> |                           |                      |                         |
|                           |                      | (5,368)                 | (Surplus) or deficit on revaluation of property, plant & equipment assets                           |                           |                      |                         |
|                           |                      | (9,860)                 | Remeasurement of the Net Defined Benefit Liability  |                           |                      | (75,519)                |
|                           |                      | <b>(15,229)</b>         | <b>Other Comprehensive Income and Expenditure</b>   |                           |                      | <b>(75,517)</b>         |
|                           |                      | <b>(17,687)</b>         | <b>Total Comprehensive Income and Expenditure</b>   |                           |                      | <b>(80,781)</b>         |

Note: The Council's Committee structure changed with effect from May 2022. The previous Service Committees were replaced by Policy Advisory Committees. The 2021/22 figures have been restated to reflect this change.

## MOVEMENT IN RESERVES STATEMENT

For the years ending 31<sup>st</sup> March 2022 & 2023

| Current Year   | General Fund Balance Unallocated<br>£000 | Earmarked GF Balances<br>£000 | Total General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves<br>£000 | Total Reserves<br>£000 |
|--|--|-------------------------------|------------------------------------|----------------------------------|----------------------------------|-------------------------------|---------------------------|------------------------|
| <b>Balance at 1st April 2022</b>   | 12,516                                   | 21,375                        | 33,892                             | 288                              | 0                                | 34,172                        | 28,843                    | 63,015                 |
| <b>Movement in Reserves during 2022/23</b>                                     |  |                               |                                    |                                  |                                  |                               |                           |                        |
| Total Comprehensive Income & Expenditure                                       | 5,266                                    | 0                             | 5,266                              | 0                                | 0                                | 5,266                         | 75,519                    | 80,785                 |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | (2,768)                                  | 0                             | (2,768)                            | (14)                             | 95                               | (2,687)                       | 2,688                     | (0)                    |
| Movements between Reserves   | (2,031)                                  | 0                             | (2,031)                            | 0                                |                                  | (2,031)                       | 2,031                     | 0                      |
| <b>Increase or Decrease in 2022/23</b>   | <b>467</b>                               | <b>0</b>                      | <b>467</b>                         | <b>(14)</b>                      | <b>95</b>                        | <b>548</b>                    | <b>80,238</b>             | <b>80,785</b>          |
| <b>Balance at 31st March 2023</b>  | <b>12,983</b>                            | <b>21,376</b>                 | <b>34,360</b>                      | <b>274</b>                       | <b>95</b>                        | <b>34,722</b>                 | <b>109,079</b>            | <b>143,801</b>         |

| Comparative Year   | General Fund Balance<br>£000 | Earmarked GF Balances<br>£000 | Total General Fund Balance<br>£000 | Capital Receipts Reserve<br>£000 | Capital Grants Unapplied<br>£000 | Total Usable Reserves<br>£000 | Unusable Reserves (Restated)<br>£000 | Total Reserves<br>£000 |
|--|------------------------------|-------------------------------|------------------------------------|----------------------------------|----------------------------------|-------------------------------|--------------------------------------|------------------------|
| <b>Balance at 1st April 2021</b>   | 10,274                       | 22,977                        | 33,251                             | 459                              |                                  | 33,710                        | 11,622                               | 45,332                 |
| <b>Movement in Reserves during 2021/22</b>                                     |                              |                               |                                    |                                  |                                  |                               |                                      |                        |
| Total Comprehensive Income & Expenditure                                       | 2,457                        |                               | 2,457                              | 0                                |                                  | 2,457                         | 15,228                               | 17,685                 |
| Adjustments between accounting basis & funding basis under regulation (Note 6) | (1,816)                      |                               | (1,816)                            | (171)                            |                                  | (1,987)                       | 1,985                                | (2)                    |
| Movements between Reserves   | 1,602                        | (1,602)                       |                                    |                                  |                                  |                               | 10                                   | 10                     |
| <b>Increase or Decrease in 2021/22</b>   | <b>2,243</b>                 | <b>(1,602)</b>                | <b>641</b>                         | <b>(171)</b>                     |                                  | <b>463</b>                    | <b>17,223</b>                        | <b>17,683</b>          |
| <b>Balance at 31st March 2022</b>  | <b>12,516</b>                | <b>21,375</b>                 | <b>33,892</b>                      | <b>288</b>                       |                                  | <b>34,172</b>                 | <b>28,843</b>                        | <b>63,015</b>          |

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 31<sup>st</sup> March 2022 & 2023

| <b>31st March<br/>2022<br/>£000</b> |                                    | <b>Notes</b> | <b>31st March<br/>2023<br/>£000</b> |
|-------------------------------------|------------------------------------|--------------|-------------------------------------|
| 129,260                             | Property, Plant & Equipment        | <b>17</b>    | 138,599                             |
| 43,383                              | Investment Property                | <b>18</b>    | 44,458                              |
| 10,433                              | Heritage Assets                    | <b>19</b>    | 10,433                              |
| 1,139                               | Intangible Assets                  |              | 1,159                               |
| 1,109                               | Long Term Debtors                  | <b>23</b>    | 37                                  |
| <b>185,324</b>                      | <b>Long Term Assets</b>            |              | <b>194,687</b>                      |
| 5,000                               | Short Term Investments             | <b>20</b>    | 0                                   |
| 145                                 | Inventories                        | <b>22</b>    | 67                                  |
| 14,297                              | Short Term Debtors                 | <b>23</b>    | 16,673                              |
| 33,753                              | Cash & Cash Equivalents            | <b>24</b>    | 8,598                               |
| <b>53,195</b>                       | <b>Current Assets</b>              |              | <b>25,338</b>                       |
| 101                                 | Bank Overdraft                     | <b>24</b>    | 0                                   |
| 4,000                               | Short Term Borrowing               | <b>20</b>    | 5,000                               |
| 67,479                              | Short Term Creditors               | <b>25</b>    | 40,870                              |
| 1,565                               | Provisions                         | <b>26</b>    | 2,258                               |
| 567                                 | Deferred Liability                 | <b>28</b>    | 597                                 |
| 3,937                               | Capital Grants Receipts in Advance | <b>16</b>    | 3,854                               |
| <b>77,649</b>                       | <b>Current Liabilities</b>         |              | <b>52,577</b>                       |
| 1,801                               | Provisions                         | <b>26</b>    | 1,556                               |
| 5,000                               | Long Term Borrowing                |              | 4,820                               |
| 914                                 | Deferred Liability                 | <b>28</b>    | 319                                 |
| 4,775                               | Capital Grants Receipts in Advance | <b>17</b>    | 4,555                               |
| 85,362                              | Net Pension Liability              | <b>32</b>    | 12,393                              |
| <b>97,854</b>                       | <b>Long Term Liabilities</b>       |              | <b>23,643</b>                       |
| <b>63,015</b>                       | <b>Net Assets</b>                  |              | <b>143,802</b>                      |
| 34,172                              | Usable Reserves                    | <b>7</b>     | 34,723                              |
| 28,843                              | Unusable Reserves                  | <b>30</b>    | 109,079                             |
| <b>63,015</b>                       | <b>Total Reserves</b>              |              | <b>143,802</b>                      |

**CASHFLOW STATEMENT**

| <b>2021/22</b><br><b>£000</b> |   | <b>Notes</b> | <b>2022/23</b><br><b>£000</b> |
|-------------------------------|---|--------------|-------------------------------|
| (2,457)                       | Net (surplus) or deficit on the provision of services   |              | (5,266)                       |
| (30,106)                      | Adjustments to net surplus or deficit on the provision of services for non-cash movements   | <b>35</b>    | 3,207                         |
| 8,274                         | Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities | <b>36</b>    | 922                           |
| <b>(24,290)</b>               | <b>Net cash flows from Operating activities</b>   |              | <b>(1,138)</b>                |
| 17,377                        | Investing Activities  | <b>37</b>    | (13,626)                      |
| (15,957)                      | Financing Activities  | <b>38</b>    | (21,511)                      |
| <b>(22,869)</b>               | <b>Net increase or decrease in cash &amp; cash equivalents</b>  |              | <b>(36,275)</b>               |
| (10,783)                      | Cash & cash equivalents at the beginning of the reporting period  |              | 33,652                        |
| <b>(33,652)</b>               | <b>Cash &amp; cash equivalents at the end of the reporting period</b>   |              | <b>(2,623)</b>                |

## NOTES TO THE ACCOUNTS

### 1 – EXPENDITURE & FUNDING ANALYSIS - For the years ending 31<sup>st</sup> March 2022 & 2023

| 2021/22 (Restated)                                     |  |   | 2022/23  |  |   |
|--|--|---|--|--|---|
| Net Expenditure Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income & Expenditure Statement<br>£000 | Net Expenditure Chargeable to the General Fund<br>£000 | Adjustments between the Funding and Accounting Basis<br>£000 | Net Expenditure in the Comprehensive Income & Expenditure Statement<br>£000 |
| 7,505  | (3,537)  | 3,968 Corporate Services  | 9,245  | (2,743)  | 6,502   |
| 10,184   | 4,769  | 14,953 Communities, Housing & Environment                                   | 12,114   | 1,794  | 13,909  |
| 29   | 9,072  | 9,101 Economic, Regeneration & Leisure                                      | 153  | 2,106  | 2,260   |
| 174  | 1,146  | 1,320 Planning & Infrastructure   | 579  | 1,512  | 2,091   |
| <b>17,892</b>  | <b>11,450</b>  | <b>29,342 Net Cost Of Services</b>  | <b>22,091</b>  | <b>2,670</b>   | <b>24,761</b>   |
| (22,167)   | (9,634)  | (31,801) Other Income & Expenditure   | (30,126)   | 98   | (30,028)  |
| <b>(4,275)</b>   | <b>1,816</b>   | <b>(2,458) (Surplus) or Deficit</b>   | <b>(8,035)</b>   | <b>2,768</b>   | <b>(5,266)</b>  |
|  |  | 33,230 Opening General Fund Balance   |  |  | 33,871  |
|  |  | 1,816 Adjustments between Accounting & Funding Basis                        |  |  | 4,799   |
|  |  | <b>33,873 Closing General Fund Balance at 31st March</b>                    |  |  | <b>34,335</b>   |

Note: The Council's Committee structure changed with effect from May 2022. The previous Service Committees were replaced by Policy Advisory Committees. The 2021/22 figures have been restated to reflect this change.

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 2022/23   |   |   |                                      |                           |
|--|---|---|--------------------------------------|---------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts  | Adjustments for Capital Purposes (Note i)<br>£000 | Net Change for Pensions Adjustments (Note ii)<br>£000 | Other Differences (Note iii)<br>£000 | Total Adjustments<br>£000 |
| Corporate Services   | 1,517   | 1,248   | (5,508)                              | (2,743)                   |
| Communities, Housing & Environment   | 410   |   | 1,384                                | 1,794                     |
| Economic, Regeneration & Leisure   | 1,102   |   | 1,004                                | 2,106                     |
| Planning & Infrastructure  | 117   |   | 1,395                                | 1,512                     |
| <b>Net Cost of Services</b>  | <b>3,146</b>                                      | <b>1,248</b>  | <b>(1,725)</b>                       | <b>2,669</b>              |
| Other income and expenditure from the Expenditure & Funding Analysis   | (3,146)   | (1,248)   | 4,493                                | 98                        |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>0</b>  | <b>0</b>  | <b>2,768</b>                         | <b>2,768</b>              |

| Adjustments between Funding & Accounting Basis 2021/22 (Restated)  |   |   |                                      |                           |
|--|---|---|--------------------------------------|---------------------------|
| Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts  | Adjustments for Capital Purposes (Note i)<br>£000 | Net Change for Pensions Adjustments (Note ii)<br>£000 | Other Differences (Note iii)<br>£000 | Total Adjustments<br>£000 |
| Corporate Services   | 761   | 1,757   | (6,055)                              | (3,537)                   |
| Communities, Housing & Environment   | 3,328   |   | 1,441                                | 4,769                     |
| Economic, Regeneration & Leisure   | 7,957   |   | 1,115                                | 9,072                     |
| Planning & Infrastructure  | (348)   |   | 1,494                                | 1,146                     |
| <b>Net Cost of Services</b>  | <b>11,698</b>                                     | <b>1,757</b>  | <b>(2,005)</b>                       | <b>11,449</b>             |
| Other income and expenditure from the Expenditure & Funding Analysis   | (11,697)  | (1,757)   | 3,820                                | (9,634)                   |
| <b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b> | <b>0</b>  | <b>0</b>  | <b>1,816</b>                         | <b>1,815</b>              |

**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**

|  | 2021/22<br>£000  | 2022/23<br>£000  |
|--|------------------|------------------|
| <b>Expenditure</b>                                       |                  |                  |
| Employee Benefit Expenses                                | 25,893           | 24,370           |
| Other Services Expenses                                  | 94,749           | 81,141           |
| Depreciation, Amortisation, Impairment                   | 4,903            | 4,582            |
| Interest Payments  | 126              | 147              |
| Precepts & Levies  | 2,240            | 2,441            |
| <b>Total Expenditure</b>                                 | <b>127,911</b>   | <b>112,682</b>   |
| <b>Income</b>  |                  |                  |
| Fees, Charges & Other Service Income                     | (29,300)         | (29,948)         |
| Interest & Investment Income                             | (72)             | (601)            |
| Income from Council Tax & NDR                            | (45,459)         | (45,685)         |
| Government Grants & Contributions                        | (47,751)         | (40,415)         |
| Gain/(Loss) on the Disposal of Assets & Revaluations     | (7,786)          | (1,299)          |
| <b>Total Income</b>                                      | <b>(130,369)</b> | <b>(117,948)</b> |
| <b>(Surplus) or Deficit on the Provision of Services</b> | <b>(2,459)</b>   | <b>(5,265)</b>   |

Within the line for Fees, Charges & Other Service Income there are some receipts accounted for under IFRS 15, which recognises revenue from contracts with service recipients. The amount recognised within this line is as follows:

| <b>Service Area</b>                                 | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> |
|---|-------------------------|-------------------------|
| Accommodation                                       | (1,084)                 | (378)                   |
| Central Services                                    | (737)                   | (547)                   |
| Cultural & Related Services                         | (916)                   | (774)                   |
| Environment & Regulatory Services                   | (4,071)                 | (2,778)                 |
| Housing Services                                    | (1,659)                 | (2,473)                 |
| Other Services                                      | (1,216)                 | (1,123)                 |
| Other Support Services                              | (2,424)                 | (2,508)                 |
| Parking Services                                    | (3,880)                 | (3,722)                 |
| Planning & Economic Development                     | (5,285)                 | (8,906)                 |
| Property Services                                   | (2,573)                 | (2,944)                 |
| <b>Fees, Charges &amp; Other Service<br/>Income</b> | <b>(23,844)</b>         | <b>(26,152)</b>         |

## 2 - ACCOUNTING POLICIES

### General Principles

The Statement of Accounts summarises the Council's transactions for the 2022/23 financial year and its position at the year-end of 31st March 2023. 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 2022/23, 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 £5,000 in the revenue accounts, and £10,000 in the capital accounts.

### **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 Comprehensive Income & Expenditure Statement is the accrued income for the year, which consists of:

- The Council's council tax precept and business rate share from the Collection Fund i.e. the amount billed for the year; and
- The Council's share of the actual council tax and business 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:

- 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). Since 2017/18 we have entered into and paid in full a lease premium in respect of a 199-year finance lease for Maidstone House. This has been reflected in the financial accounts.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4. Although the contract is a shared service arrangement vehicles have not been assigned exclusively for use in Maidstone by the contractor. These vehicles do not therefore need to be recognised as assets.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.
- As a wholly owned subsidiary of the council, Maidstone Property Holdings Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However, the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.
- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns

from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor Park. The Council recharges the cost of providing these services to Cobtree Manor Park but does not seek to generate a surplus from the arrangement.

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

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

The items in the Council's financial statements at 31<sup>st</sup> March 2023 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

| <b>Balance</b>             | <b>Source of Uncertainty</b>  | <b>Effect if actual results differ from assumptions</b>  |
|----------------------------|---|--|
| <b>Property valuations</b> | <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>Valuations have been undertaken in accordance with the latest professional guidance.</p> <p>The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.</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 £9.9m. 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> |

| <b>Balance</b>                           | <b>Source of Uncertainty</b>   | <b>Effect if actual results differ from assumptions</b>   |
|--|--|---|
| <b>Fair Value of Investment Property</b> | 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>Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date.</p> <p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £4.1m. This would not impact on the general fund balance.</p> |
| <b>Depreciation</b>                      | 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 £0.1m for every year that useful lives had to be reduced.   |
| <b>Pensions Liability</b>                | 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.  | <ul style="list-style-type: none"> <li>• A 0.5% increase in the discount rate will reduce the net pension liability by £11.0m;</li> <li>• A 0.5% increase in the assumed level of pension increases and deferred revaluation will increase the net pension liability by £11.6m;</li> </ul>  |

| <b>Balance</b>                    | <b>Source of Uncertainty</b>   | <b>Effect if actual results differ from assumptions</b>  |
|-----------------------------------|--|--|
|                                   | The Council has engaged Barnett Waddingham as its consulting actuary to provide expert advice about the assumptions to be applied.   | <ul style="list-style-type: none"> <li>• An increase of one year in longevity will increase the net pension liability by £6.1m.</li> </ul>   |
| <b>Arrears</b>                    | At 31st March 2023 the Council had a balance of sundry debtors for £15m. A review of significant balances suggested that an impairment allowance for bad debts of £4.8m 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.  | If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2.4m to be set aside as an allowance.                      |
| <b>Non-Domestic Rates Appeals</b> | <p>The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £7.2m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £2.9m 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.</p> | If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.728m would be required overall, and the council's share of the provision would increase by £0.289m. |

| <b>Balance</b>    | <b>Source of Uncertainty</b>   | <b>Effect if actual results differ from assumptions</b>   |
|-------------------|--|---|
|                   | <p>A provision of 2.1p per pound of rateable value is reflected in the above total.</p> <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> |   |
| <b>UK Economy</b> | <p>The state of the UK economy is causing uncertainty in prices due to demand and inflationary pressures. This is impacting the potential future costs for items we directly purchase. It is also causing demand on statutory services we provide.</p>   | <p>As part of the Medium-Term financial planning we have made an assessment of the impacts on Maidstone Borough Council and we continue to monitor the financial position to ensure we operate within budget. But any variance from our assumptions may requires further savings and changes to services we provide</p> |

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

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

- IRFS 16 leases, this will be applicable to those authorities who have decided to voluntarily implement the standard, which the Council has decided not to implement at this stage.
- Definition of Accounting Estimates (Amendments to IAS 8) issued in February 2021.
- Disclosure of Accounting Policies (Amendments to IAS 1 and IFRS Practice Statement 2) issued in February 2021.
- Updating a Reference to the Conceptual Framework (Amendments to IFRS 3) issued in May 2020.

None of the above standards, when adopted, are expected to have a material impact on the Council's financial statements.

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

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

### **General Fund Balance**

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

### **Capital Receipts Reserve**

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

### **Capital Grants Unapplied**

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

| 2022/23  | Usable Reserves              |                                  |                                  |
|--|------------------------------|----------------------------------|----------------------------------|
|  | General Fund balance<br>£000 | Capital Grants Unapplied<br>£000 | Capital Receipts Reserve<br>£000 |
| <b>Adjustments to the Revenue Resources</b>  |                              |                                  |                                  |
| Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements: |                              |                                  |                                  |
| Pensions Costs (transferred to (or from) the Pensions Reserve)   | 2,550                        |                                  |                                  |
| Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)  | (4,240)                      |                                  |                                  |
| 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)     | 6,042                        | (95)                             |                                  |
| <b>Total Adjustments to Revenue Resources</b>  | <b>4,348</b>                 |                                  | <b>0</b>                         |
| <b>Adjustments between Revenue and Capital Resources</b>   |                              |                                  |                                  |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | (1,221)                      |                                  | 1,268                            |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | (1,746)                      |                                  |                                  |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | (1,338)                      |                                  |                                  |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>(4,305)</b>               |                                  | <b>1,268</b>                     |
| <b>Adjustments to Capital Resources</b>  |                              |                                  |                                  |
| Use of the Capital Receipts Reserve to finance capital expenditure   |                              |                                  | (1,282)                          |
| Application of capital grants to finance capital expenditure   | (2,810)                      |                                  |                                  |
| <b>Total Adjustments to Capital Resources</b>  | <b>(2,810)</b>               |                                  | <b>(1,282)</b>                   |
| <b>Total Adjustments</b>   | <b>(2,768)</b>               | <b>(95)</b>                      | <b>(14)</b>                      |

| 2021/22 Comparative Figures  | Usable Reserves              |                                  |                                  |
|--|------------------------------|----------------------------------|----------------------------------|
|  | General Fund balance<br>£000 | Capital Grants Unapplied<br>£000 | Capital Receipts Reserve<br>£000 |
| <b>Adjustments to the Revenue Resources</b>  |                              |                                  |                                  |
| Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements: |                              |                                  |                                  |
| Pensions Costs (transferred to (or from) the Pensions Reserve)   | 5,439                        |                                  |                                  |
| Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)  | (7,396)                      |                                  |                                  |
| 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)     | 15,776                       |                                  |                                  |
| <b>Total Adjustments to Revenue Resources</b>  | <b>13,813</b>                |                                  | <b>0</b>                         |
| <b>Adjustments between Revenue and Capital Resources</b>   |                              |                                  |                                  |
| Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve   | (4,312)                      |                                  | 4,329                            |
| Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)   | (1,403)                      |                                  |                                  |
| Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)  | (5,963)                      |                                  |                                  |
| <b>Total Adjustments between Revenue and Capital Resources</b>   | <b>(11,678)</b>              |                                  | <b>4,329</b>                     |
| <b>Adjustments to Capital Resources</b>  |                              |                                  |                                  |
| Use of the Capital Receipts Reserve to finance capital expenditure   |                              |                                  | (4,500)                          |
| Application of capital grants to finance capital expenditure   | (3,945)                      |                                  |                                  |
| <b>Total Adjustments to Capital Resources</b>  | <b>(3,945)</b>               |                                  | <b>(4,500)</b>                   |
| <b>Total Adjustments</b>   | <b>(1,809)</b>               | <b>0</b>                         | <b>(171)</b>                     |

## **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 £34.815m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

|   | Balance<br>1st April<br>2022 | Estimated<br>movement<br>in 2022/23 | Estimated<br>Balance as<br>at 31st<br>March 2023 |
|---|------------------------------|-------------------------------------|--|
|   | £000                         | £000                                | £000   |
| <b>General Fund</b>                               |                              |                                     |  |
| Unallocated Balance                               | 11,362                       | 24                                  | 11,386   |
| <b>Subtotal</b>                                   | <b>11,362</b>                | <b>24</b>                           | <b>11,386</b>                                    |
|   |                              |                                     |  |
| <b>Earmarked Reserves</b>                         |                              |                                     |  |
| Spatial Planning                                  | 0                            | 559                                 | 559  |
| Housing Investment Fund                           | 0                            | 3,216                               | 3,216  |
| Neighbourhood Planning                            | 97                           | -20                                 | 77   |
| Planning Appeals                                  | 286                          | -56                                 | 229  |
| Trading Accounts                                  | 0                            | 0                                   | 0  |
| Civil Parking Enforcement                         | 400                          | -31                                 | 370  |
| Future Capital Expenditure                        | 2,426                        | 29                                  | 2,455  |
| Future Funding Pressures                          | 969                          | 1,300                               | 2,269  |
| Homelessness Prevention & Temporary Accommodation | 1,279                        | -155                                | 1,124  |
| Business Rates Earmarked Balances                 | 3,681                        | -153                                | 3,529  |
| Funding for Future Collection Fund Deficits       | 10,284                       | -10,284                             | 0  |
| Commercial Risk                                   | 500                          | 0                                   | 500  |
| Invest to Save                                    | 500                          | 0                                   | 500  |
| Recovery and Renewal Reserve                      | 778                          | -202                                | 575  |
| Renewable Energy                                  | 119                          | 70                                  | 188  |
| Enterprise Zone                                   | 4                            | -4                                  | 0  |
| Majors Works (MH) Sinking Fund                    | 0                            | 213                                 | 213  |
| Resources carried forward from 2021/22 to 2022/23 | 1,184                        | -1,184                              | 0  |
| Resources carried forward from 2022/23 to 2023/24 |                              | 200                                 | 200  |
| <b>Subtotal</b>                                   | <b>22,508</b>                | <b>-6,503</b>                       | <b>16,005</b>                                    |
|   |                              |                                     |  |
| <b>Total General Fund and Earmarked Reserves</b>  | <b>33,870</b>                | <b>-6,480</b>                       | <b>27,390</b>                                    |

### Description of Earmarked Reserves:

**Spatial Planning** – This reserve has been created to provide additional funding if required to support the spatial planning process.

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

**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.

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

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

**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.

**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.

**Business Rates Earmarked Balances** – 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.

**Funding for Future Collection Fund Deficits** – These are sums that were set aside from government funding received during Covid-19 pandemic. It was anticipated that the pandemic would have a negative effect on the Collection Fund so this reserve will help smooth that impact.

**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.

**Recovery & Renewal Reserve** – These are sums aside from Government funding to support various initiatives across the Borough in recovering from the after-effects of the Covid-19 pandemic.

**Renewable Energy** – This reserve uses funding from retained Business Rates to support the development of renewable energy sources to support the Council's climate change initiatives.

**Enterprise Zone** - This reserve uses funding from retained Business Rates to support the development of the Kent Medical Campus.

**Major Works Sinking Fund** – This represents money set aside to fund major works scheduled for the Council's property assets.

**Housing Investment Fund** – This represents money set aside from revenue in order to subsidise the Affordable Housing programme.

### **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. Materiality is defined as 2% of prior gross year expenditure for the Council, which is broadly consistent with the materiality calculation used as part of the annual external audit of the Statement of Accounts. The figure used for the purpose of this note is £2.2m for 2022/23.

## 9 - OTHER OPERATING EXPENDITURE

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

|  | 2021/22<br>£000 | 2022/23<br>£000 |
|--|-----------------|-----------------|
| Parish Council precepts                              | 2,240           | 2,441           |
| Levies   | 127             | 128             |
| (Gains)/losses on the disposal of non-current assets | (939)           | (1,226)         |
|  | <b>1,429</b>    | <b>1,344</b>    |

## 10 - FINANCING AND INVESTMENT INCOME & EXPENDITURE

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

|   | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| Interest payable and similar charges  | 126             | 147             |
| Net Interest on the Net Defined Benefit Liability   | 1,757           | 1,248           |
| Interest receivable and similar income  | (72)            | (601)           |
| <b>Income &amp; Expenditure in relation to Investment properties and changes in their fair value:</b> |                 |                 |
| Income  | (6,065)         | (1,577)         |
| Expenditure   | 1,130           |                 |
|   | <b>(3,123)</b>  | <b>(783)</b>    |

**11 - TAXATION & NON-SPECIFIC GRANT INCOMES**

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

| <b>Credited to Taxation &amp; Non Specific Grant Income</b> | <b>2021/22<br/>£000</b> | <b>2022/23<br/>£000</b> |
|---|-------------------------|-------------------------|
| Council tax income  | 20,540                  | 20,990                  |
| Income from Retained Business Rates                         | 24,908                  | 25,553                  |
| Tariff Payable  | (19,339)                | (19,339)                |
| Levy Payable  | 0                       | (1,292)                 |
| Non-ringfenced Government Grants                            | 3,995                   | 4,676                   |
| <b>Total</b>  | <b>30,105</b>           | <b>30,589</b>           |
| <b>Credited to Services</b>                                 |                         |                         |
| Housing Benefit Subsidy                                     | 33,423                  | 31,538                  |
| Non-Domestic Rates - Cost of Collection                     | 222                     | 228                     |
| Council Tax Administration                                  | 160                     | 494                     |
| Covid-19 Grants   | 5,645                   | 188                     |
| Other Grants  | 4,326                   | 3,631                   |
| <b>Total</b>  | <b>43,776</b>           | <b>36,080</b>           |

In 2021/22 and 2022/23 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.

**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 Receipts in Advance Reserve. Where it has been applied, it is posted to the Capital Adjustment Account.

## 12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2022/23 totalled £453,082 (£367,153 in 2021/22).

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](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:

| <b>2022/23</b>  | <b>Salary (Including Fees)</b> | <b>Other Payments, Allowances &amp; Benefits in Kind</b> | <b>Total Remuneration excluding Pension Contributions</b> | <b>Pension Contributions</b> | <b>Total Remuneration including Pension Contributions</b> |
|---|--------------------------------|--|---|------------------------------|---|
|   | <b>£000</b>                    | <b>£000</b>  | <b>£000</b>   | <b>£000</b>                  | <b>£000</b>   |
| Chief Executive (Alison Broom)                        | 142                            | 10   | <b>152</b>  | 25                           | <b>177</b>  |
| Director of Finance, Resources & Business Improvement | 108                            | 1  | <b>109</b>  | 19                           | <b>128</b>  |
| Director of Regeneration & Place                      | 108                            | 1  | <b>108</b>  | 19                           | <b>127</b>  |
| Director of Mid-Kent Services                         | 91                             | 0  | <b>92</b>   | 16                           | <b>108</b>  |
| Director of Strategy, Governance & Oversight          | 84                             | 5  | <b>89</b>   | 15                           | <b>104</b>  |

| <b>2021/22</b>                             | <b>Salary (Including Fees)</b> | <b>Other Payments, Allowances &amp; Benefits in Kind</b> | <b>Total Remuneration excluding Pension Contributions</b> | <b>Pension Contributions</b> | <b>Total Remuneration including Pension Contributions</b> |
|--|--------------------------------|--|---|------------------------------|---|
|  | <b>£000</b>                    | <b>£000</b>  | <b>£000</b>   | <b>£000</b>                  | <b>£000</b>   |
| Chief Executive (Alison Broom)             | 152                            | 3  | <b>155</b>  | 26                           | <b>181</b>  |
| Director of Finance & Business Improvement | 106                            | 1  | <b>107</b>  | 19                           | <b>126</b>  |
| Director of Regeneration & Place           | 106                            | 1  | <b>107</b>  | 19                           | <b>125</b>  |
| Director of Mid-Kent Services              | 89                             | 1  | <b>90</b>   | 15                           | <b>105</b>  |

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). For 2021/22 and 2022/23 there were two different individuals that held this post.

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 | 2021/22 No. of Employees | 2022/23 No. of Employees |
|----------------------|--------------------------|--------------------------|
| £50,000 - £54,999    | 7                        | 7                        |
| £55,000 - £59,999    | 5                        | 1                        |
| £60,000 - £64,999    | 8                        | 6                        |
| £65,000 - £69,999    | 1                        | 1                        |
| £70,000 - £74,999    | 2                        | 1                        |
| £75,000 - £79,999    | 1                        | 1                        |
| £80,000 - £84,999    | 1                        | 2                        |
| £85,000 - £89,999    | 2                        | 1                        |

### 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 |           |
|---|-----------------------------------|----------|-----------------------------------|----------|--|----------|--|-----------|
|   | 2021/22                           | 2022/23  | 2021/22                           | 2022/23  | 2021/22                                    | 2022/23  | 2021/22                                  | 2022/23   |
| £0 - £20,000  | 0                                 | 0        | 0                                 | 3        | 0  | 3        | £000                                     | £18       |
| £20,001 - £40,000                                   | 0                                 | 0        | 0                                 | 2        | 0  | 2        | 0  | 59        |
| £40,001 - £80,000                                   | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0         |
| £80,001 - £100,000                                  | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0         |
| £100,001 - £150,000                                 | 0                                 | 0        | 0                                 | 0        | 0  | 0        | 0  | 0         |
| <b>Total</b>  | <b>0</b>                          | <b>0</b> | <b>0</b>                          | <b>5</b> | <b>0</b>                                   | <b>5</b> | <b>0</b>                                 | <b>77</b> |

### 14 - EXTERNAL AUDIT COSTS

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

|   | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| Fees payable with regard to external audit services carried out by the appointed auditor for the year | 65              | 111             |
| Fees payable for the certification of grant claims and returns during the year                        | 25              | 31              |
| <b>Total</b>  | <b>90</b>       | <b>142</b>      |

## 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:

|                                      | 2021/22<br>£000 | 2022/23<br>£000 |
|--------------------------------------|-----------------|-----------------|
| <b>Balance at start of year:</b>     | 7,817           | 9,005           |
| Grants Received                      | 6,076           | 2,915           |
| Transfers                            | (946)           | (95)            |
| Funding used for capital expenditure | (3,945)         | (3,412)         |
| <b>Balance at end of year:</b>       | <b>9,005</b>    | <b>8,412</b>    |

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31<sup>st</sup> March 2024) £3.856m and long-term (expected to be used after 1<sup>st</sup> April 2025) £4.556m.

The majority of the balance (£4.881m) relates to Section 106 monies held by the Council for future use. There is also a further £2.324m held for disabled facilities grants which is an ongoing area of work for the Council.

**Unapplied** – This is for grants and contributions received where conditions have been met but expenditure has yet to be incurred.

|                                      | 2021/22<br>£000 | 2022/23<br>£000 |
|--------------------------------------|-----------------|-----------------|
| <b>Balance at start of year:</b>     | 0               | 0               |
| Grants Received                      | 0               | 0               |
| Transfers                            | 0               | 95              |
| Funding used for capital expenditure | 0               | 0               |
| <b>Balance at end of year:</b>       | <b>0</b>        | <b>95</b>       |

## 16 - RELATED PARTIES

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

## Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework within which the Council operates, 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 2022/23 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 Limited, which is a wholly owned subsidiary of the Council.

- Director of Regeneration and Place
- Director of Mid-Kent Services
- Head of Housing and Community Services
- Principal Lawyer - Commercial

The Balance Sheet as at 31st March 2023, reflects £653,421 (2021/22, £545,410) which is payable from Maidstone Property Holdings Limited to Maidstone Borough Council, relating to income and expenditure for the 2022/23 financial year.

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

| <b>Movements in 2022/23</b>  | <b>Infrastructure Assets<br/>£000</b> | <b>Land &amp; Buildings<br/>£000</b> | <b>Plant, Machinery &amp; Equipment<br/>£000</b> | <b>Vehicles<br/>£000</b> | <b>IT &amp; Office Equipment<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Assets Under Construction<br/>£000</b> | <b>Total Property, Plant &amp; Equipment<br/>£000</b> |
|--|---------------------------------------|--------------------------------------|--|--------------------------|---|----------------------------------|---|---|
| <b>Cost or Valuations</b>  |                                       |                                      |  |                          |   |                                  |   |   |
| At 1st April 2022  | 6,455                                 | 113,647                              | 17,731   | 2,283                    | 4,609                                     | 4,281                            | 3,122                                     | <b>152,129</b>  |
| Additions  | 341                                   | 5,563                                | 753  | 816                      | 72  | 272                              | 7,943                                     | <b>15,760</b>   |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 0                                     | 0                                    | 0  | 0                        | 0   | 0                                | 0   | <b>0</b>  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0                                     | 0                                    | 0  | 0                        | 0   | 0                                | 0   | <b>0</b>  |
| Derecognition of assets  | 22                                    | 46                                   | (937)  | (340)                    | (55)                                      | 0                                | 0   | <b>(1,264)</b>  |
| Other movements in cost or valuation   | 0                                     | 662                                  | 0  | 0                        | 0   | 0                                | (2,651)                                   | <b>(1,988)</b>  |
| At 31st March 2023   | <b>6,818</b>                          | <b>119,918</b>                       | <b>17,547</b>                                    | <b>2,759</b>             | <b>4,626</b>                              | <b>4,553</b>                     | <b>8,414</b>                              | <b>164,637</b>  |
| <b>Accumulated Depreciation &amp; Impairment</b>   |                                       |                                      |  |                          |   |                                  |   |   |
| At 1st April 2022  | (4,142)                               | (4,124)                              | (9,108)  | (1,384)                  | (4,110)                                   | 0                                | 0   | <b>(22,869)</b>                                       |
| Depreciation charge  | (230)                                 | (2,290)                              | (1,069)  | (452)                    | (411)                                     | 0                                | 0   | <b>(4,452)</b>  |
| Depreciation written out to the Revaluation Reserve  | 0                                     | 0                                    | 0  | 0                        | 0   | 0                                | 0   | <b>0</b>  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0                                     | 0                                    | 0  | 0                        | 0   | 0                                | 0   | <b>0</b>  |
| Derecognition of assets  | 0                                     | 0                                    | 932  | 298                      | 55  | 0                                | 0   | <b>1,285</b>  |
| At 31st March 2023   | <b>(4,372)</b>                        | <b>(6,414)</b>                       | <b>(9,246)</b>                                   | <b>(1,538)</b>           | <b>(4,466)</b>                            | <b>0</b>                         | <b>0</b>                                  | <b>(26,036)</b>                                       |
| <b>Net Book Value</b>  |                                       |                                      |  |                          |   |                                  |   |   |
| <b>At 31st March 2023</b>  | <b>2,446</b>                          | <b>113,504</b>                       | <b>8,301</b>                                     | <b>1,221</b>             | <b>160</b>                                | <b>4,553</b>                     | <b>8,414</b>                              | <b>138,599</b>  |
| At 31st March 2022   | 2,314                                 | 109,523                              | 8,622  | 898                      | 499                                       | 4,281                            | 3,122                                     | <b>129,260</b>  |

| <b>Movements in 2021/22</b>  | <b>Infrastructure Assets<br/>£000</b> | <b>Land &amp; Buildings<br/>£000</b> | <b>Plant, Machinery &amp; Equipment<br/>£000</b> | <b>Vehicles<br/>£000</b> | <b>IT &amp; Office Equipment<br/>£000</b> | <b>Community Assets<br/>£000</b> | <b>Assets Under Construction<br/>£000</b> | <b>Total Property, Plant &amp; Equipment<br/>£000</b> |
|--|---------------------------------------|--------------------------------------|--|--------------------------|---|----------------------------------|---|---|
| <b>Cost or Valuations</b>  |                                       |                                      |  |                          |   |                                  |   |   |
| At 1st April 2021  | 6,222                                 | 91,098                               | 17,078   | 1,979                    | 4,462                                     | 3,999                            | 10,695                                    | <b>135,535</b>  |
| Additions  | 233                                   | 16,198                               | 653  | 369                      | 147                                       | 282                              | 3,782                                     | <b>21,664</b>   |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 0                                     | 4,073                                | 0  | 0                        | 0   | 0                                | 0   | <b>4,073</b>  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0                                     | (9,501)                              | 0  | 0                        | 0   | 0                                | 0   | <b>(9,501)</b>  |
| Derecognition of assets  | 0                                     | (17)                                 | 0  | (66)                     | 0   | 0                                | 0   | <b>(83)</b>   |
| Other movements in cost or valuation   | 0                                     | 11,797                               | 0  | 0                        | 0   | 0                                | (11,355)                                  | <b>442</b>  |
| At 31st March 2022   | 6,455                                 | 113,648                              | 17,731   | 2,282                    | 4,609                                     | 4,281                            | 3,122                                     | <b>152,130</b>  |
| <b>Accumulated Depreciation &amp; Impairment</b>   |                                       |                                      |  |                          |   |                                  |   |   |
| At 1st April 2021  | (3,930)                               | (5,282)                              | (8,095)  | (1,054)                  | (3,694)                                   | 0                                | 0   | <b>(22,055)</b>                                       |
| Depreciation charge  | (212)                                 | (2,753)                              | (1,013)  | (379)                    | (416)                                     | 0                                | 0   | <b>(4,773)</b>  |
| Depreciation written out to the Revaluation Reserve  | 0                                     | 3,911                                | 0  | 0                        | 0   | 0                                | 0   | <b>3,911</b>  |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | 0                                     | 0                                    | 0  | 0                        | 0   | 0                                | 0   | <b>0</b>  |
| Derecognition of assets  | 0                                     | 0                                    | 0  | 49                       | 0   | 0                                | 0   | <b>49</b>   |
| At 31st March 2022   | (4,142)                               | (4,124)                              | (9,108)  | (1,384)                  | (4,110)                                   | 0                                | 0   | <b>(22,868)</b>                                       |
| <b>Net Book Value</b>  |                                       |                                      |  |                          |   |                                  |   |   |
| <b>At 31st March 2022</b>  | <b>2,314</b>                          | <b>109,523</b>                       | <b>8,622</b>                                     | <b>898</b>               | <b>499</b>                                | <b>4,281</b>                     | <b>3,122</b>                              | <b>129,260</b>  |
| At 31st March 2021   | 2,293                                 | 85,816                               | 8,982  | 925                      | 768                                       | 3,999                            | 10,695                                    | <b>113,478</b>  |

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

| <b>Analysis of Land &amp; Buildings Movements 2022/23</b>  | <b>Car Parks</b> | <b>Cemetery &amp; Crematorium</b> | <b>Depots, Workshops &amp; Toolsheds</b> | <b>Entertainment Complex</b> | <b>Halls &amp; Pavilions</b> | <b>Housing</b> | <b>Land</b> | <b>Leisure Centres &amp; Pools</b> | <b>Markets</b> | <b>Museums &amp; Galleries</b> | <b>Offices</b> | <b>Parks &amp; Open Spaces</b> | <b>Public Conveniences</b> | <b>Residential / Commercial</b> | <b>Theatres</b> | <b>Town Hall</b> | <b>Total Land &amp; Buildings</b> |
|--|------------------|-----------------------------------|--|------------------------------|------------------------------|----------------|-------------|------------------------------------|----------------|--------------------------------|----------------|--------------------------------|----------------------------|---------------------------------|-----------------|------------------|-----------------------------------|
|  | <b>£000</b>      | <b>£000</b>                       | <b>£000</b>                              | <b>£000</b>                  | <b>£000</b>                  | <b>£000</b>    | <b>£000</b> | <b>£000</b>                        | <b>£000</b>    | <b>£000</b>                    | <b>£000</b>    | <b>£000</b>                    | <b>£000</b>                | <b>£000</b>                     | <b>£000</b>     | <b>£000</b>      | <b>£000</b>                       |
| <b>Cost or Valuations</b>  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  |                                   |
| At 1st April 2022  | 14,278           | 2,483                             | 1,992                                    | 22,323                       | 4,348                        | 15,387         | 906         | 7,359                              | 1,720          | 11,715                         | 0              | 2,133                          | 1,501                      | 13,528                          | 5,132           | 1,280            | <b>106,085</b>                    |
| Additions  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| Derecognition of Assets  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| Other movements in cost or valuation   |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| <b>At 31st March 2023</b>  | <b>14,278</b>    | <b>2,483</b>                      | <b>1,992</b>                             | <b>22,323</b>                | <b>4,348</b>                 | <b>15,387</b>  | <b>906</b>  | <b>7,359</b>                       | <b>1,720</b>   | <b>11,715</b>                  | <b>0</b>       | <b>2,133</b>                   | <b>1,501</b>               | <b>13,528</b>                   | <b>5,132</b>    | <b>1,280</b>     | <b>106,085</b>                    |
| <b>Accumulated Depreciation &amp; Impairment</b>   |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  |                                   |
| At 1st April 2022  | 12               | (99)                              | 32                                       | 0                            | (2)                          | (3,644)        | (39)        | (2)                                | (70)           | 1                              | 0              | (149)                          | (102)                      | (55)                            | 1               | (1)              | <b>(4,115)</b>                    |
| Depreciation charge  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| Depreciation written out to the Revaluation Reserve  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| Other movements in cost or valuation   |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| <b>At 31st March 2023</b>  | <b>12</b>        | <b>(99)</b>                       | <b>32</b>                                | <b>0</b>                     | <b>(2)</b>                   | <b>(3,644)</b> | <b>(39)</b> | <b>(2)</b>                         | <b>(70)</b>    | <b>1</b>                       | <b>0</b>       | <b>(149)</b>                   | <b>(102)</b>               | <b>(55)</b>                     | <b>1</b>        | <b>(1)</b>       | <b>(4,115)</b>                    |
| <b>Net Book Value</b>  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  |                                   |
| <b>At 31st March 2023</b>  | <b>14,290</b>    | <b>2,384</b>                      | <b>2,024</b>                             | <b>22,323</b>                | <b>4,346</b>                 | <b>11,743</b>  | <b>867</b>  | <b>7,357</b>                       | <b>1,650</b>   | <b>11,716</b>                  | <b>0</b>       | <b>1,984</b>                   | <b>1,400</b>               | <b>13,474</b>                   | <b>5,133</b>    | <b>1,279</b>     | <b>101,971</b>                    |
| At 31st March 2022   | 14,290           | 2,384                             | 2,024                                    | 22,323                       | 4,346                        | 11,735         | 867         | 7,357                              | 1,650          | 11,716                         | 7,584          | 1,984                          | 1,400                      | 13,474                          | 5,133           | 1,279            | 109,550                           |

| <b>Analysis of Land &amp; Buildings Movements 2021/22</b>  | <b>Car Parks</b> | <b>Cemetery &amp; Crematorium</b> | <b>Depots, Workshops &amp; Toolsheds</b> | <b>Entertainment Complex</b> | <b>Halls &amp; Pavilions</b> | <b>Housing</b> | <b>Land</b> | <b>Leisure Centres &amp; Pools</b> | <b>Markets</b> | <b>Museums &amp; Galleries</b> | <b>Offices</b> | <b>Parks &amp; Open Spaces</b> | <b>Public Conveniences</b> | <b>Residential / Commercial</b> | <b>Theatres</b> | <b>Town Hall</b> | <b>Total Land &amp; Buildings</b> |
|--|------------------|-----------------------------------|--|------------------------------|------------------------------|----------------|-------------|------------------------------------|----------------|--------------------------------|----------------|--------------------------------|----------------------------|---------------------------------|-----------------|------------------|-----------------------------------|
|  | <b>£000</b>      | <b>£000</b>                       | <b>£000</b>                              | <b>£000</b>                  | <b>£000</b>                  | <b>£000</b>    | <b>£000</b> | <b>£000</b>                        | <b>£000</b>    | <b>£000</b>                    | <b>£000</b>    | <b>£000</b>                    | <b>£000</b>                | <b>£000</b>                     | <b>£000</b>     | <b>£000</b>      | <b>£000</b>                       |
| <b>Cost or Valuations</b>  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  |                                   |
| At 1st April 2021  | 12,495           | 2,184                             | 1,960                                    | 21,353                       | 3,764                        | 13,961         | 347         | 7,891                              | 1,720          | 11,300                         | 0              | 1,693                          | 1,501                      | 4,824                           | 4,952           | 1,154            | <b>91,098</b>                     |
| Additions  | 22               | 299                               | 31                                       | 1,228                        | 51                           | 237            | 529         | 0                                  |                | 3                              | 7,540          |                                |                            | 6,139                           | 7               | 134              | <b>16,222</b>                     |
| Revaluation increases/(decreases) recognised in the Revaluation Reserve                          | 1,940            |                                   |  |                              | 533                          | 427            | 30          |                                    |                | 412                            | 119            | 440                            |                            |                                 | 172             |                  | <b>4,073</b>                      |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services | (162)            |                                   |  | (258)                        |                              | (12)           |             | (532)                              |                |                                | (75)           |                                |                            | -8452778                        |                 | (8)              | <b>(9,501)</b>                    |
| Derecognition of Assets  | (17)             |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>(17)</b>                       |
| Other movements in cost or valuation   |                  |                                   |  |                              |                              | 778            |             |                                    |                |                                |                |                                |                            | 11,019                          |                 |                  | <b>11,797</b>                     |
| <b>At 31st March 2022</b>  | <b>14,278</b>    | <b>2,483</b>                      | <b>1,992</b>                             | <b>22,323</b>                | <b>4,348</b>                 | <b>15,391</b>  | <b>906</b>  | <b>7,359</b>                       | <b>1,720</b>   | <b>11,715</b>                  | <b>7,584</b>   | <b>2,133</b>                   | <b>1,501</b>               | <b>13,528</b>                   | <b>5,132</b>    | <b>1,280</b>     | <b>113,672</b>                    |
| <b>Accumulated Depreciation &amp; Impairment</b>   |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  |                                   |
| At 1st April 2021  | 12               | (61)                              | (21)                                     | 0                            | (1,149)                      | (2,575)        | (39)        | (2)                                | (42)           | 1                              | 0              | (149)                          | (0)                        | (1,112)                         | (119)           | (25)             | <b>(5,282)</b>                    |
| Depreciation charge  |                  | (38)                              | (36)                                     | (450)                        | (361)                        | (1,076)        |             | (149)                              | (27)           | (236)                          | (43)           |                                | (101)                      | (125)                           | (90)            | (18)             | <b>(2,751)</b>                    |
| Depreciation written out to the Revaluation Reserve  |                  |                                   | 89                                       | 450                          | 1,508                        |                |             | 149                                |                | 236                            | 43             |                                |                            | 1,183                           | 210             | 42               | <b>3,911</b>                      |
| Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| <b>Other movements in cost or valuation</b>  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  | <b>0</b>                          |
| At 31st March 2022   | 12               | (99)                              | 32                                       | 0                            | (2)                          | (3,651)        | (39)        | (2)                                | (70)           | 1                              |                | (149)                          | (102)                      | (55)                            | 1               | (1)              | <b>(4,123)</b>                    |
| <b>Net Book Value</b>  |                  |                                   |  |                              |                              |                |             |                                    |                |                                |                |                                |                            |                                 |                 |                  |                                   |
| <b>At 31st March 2022</b>  | <b>14,290</b>    | <b>2,384</b>                      | <b>2,024</b>                             | <b>22,323</b>                | <b>4,346</b>                 | <b>11,740</b>  | <b>867</b>  | <b>7,357</b>                       | <b>1,650</b>   | <b>11,716</b>                  | <b>7,584</b>   | <b>1,984</b>                   | <b>1,400</b>               | <b>13,474</b>                   | <b>5,133</b>    | <b>1,279</b>     | <b>109,550</b>                    |
| At 31st March 2021   | 12,507           | 2,123                             | 1,940                                    | 21,353                       | 2,615                        | 11,383         | 308         | 7,889                              | 1,678          | 11,301                         | 0              | 1,544                          | 1,501                      | 3,712                           | 4,833           | 1,129            | 85,817                            |

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 31<sup>st</sup> March 2023 the Council had the following capital commitments:

| <b>2021/22</b>                       | <b>2022/23</b> |
|--------------------------------------|----------------|
| <b>£000 Project</b>                  | <b>£000</b>    |
| 731 Springfield Mill Block 6         | 0              |
| 1,497 Gypsy Site Refurbishment Works | 0              |
| 1,309 Mote Park Café/Visitor Centre  | 41             |
| 0 Temporary Accommodation            | 355            |
| 0 Granada House Refurbishment        | 1,450          |
| 0 Maidstone House Lift Refurbishment | 209            |
| <b>3,537</b>                         | <b>2,055</b>   |

### 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 31<sup>st</sup> March 2022 in accordance with the requirements of the Code of Practice and are considered to be materially accurate at the Balance Sheet date.

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

|                                | Infrastructure Assets<br>£000 | Community Assets<br>£000 | Land & Buildings<br>£000 | Plant, Machinery & Equipment<br>£000 | Vehicles<br>£000 | IT & Office Equipment<br>£000 | Assets Under Construction<br>£000 | Total<br>£000 |
|--------------------------------|-------------------------------|--------------------------|--------------------------|--------------------------------------|------------------|-------------------------------|-----------------------------------|---------------|
| Carried at historical cost     |                               |                          |                          |                                      |                  |                               |                                   | 0             |
| Valued at current value as at: |                               |                          |                          |                                      |                  |                               |                                   |               |
| 31st March 2019                |                               |                          |                          |                                      |                  |                               |                                   | 0             |
| 31st March 2020                |                               |                          |                          |                                      |                  |                               |                                   | 0             |
| 31st March 2021                |                               |                          |                          |                                      |                  |                               |                                   | 0             |
| 31st March 2022                |                               |                          |                          |                                      |                  |                               |                                   | 0             |
| 31st March 2023                |                               |                          |                          |                                      |                  |                               |                                   | 0             |
| <b>Total Cost or Valuation</b> | <b>0</b>                      | <b>0</b>                 | <b>0</b>                 | <b>0</b>                             | <b>0</b>         | <b>0</b>                      | <b>0</b>                          | <b>0</b>      |

### 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 1<sup>st</sup> April 2007 only, the date of its formal implementation. Gains arising before that date have been consolidated into the Capital Adjustment Account.

### **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:

|  | 2021/22<br>£000 | 2022/23<br>£000 |
|--|-----------------|-----------------|
| Rental income from investment property                     | (2,380)         | (2,581)         |
| Direct operating expenses arising from investment property | 443             | 404             |
| <b>Net (gain)/loss</b>                                     | <b>(1,937)</b>  | <b>(2,177)</b>  |

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

|  | Investment<br>Properties<br>£000 | Assets<br>Under<br>Construction<br>£000 | 2021/22<br>£000 | Investment<br>Properties<br>£000 | Assets<br>Under<br>Construction<br>£000 | 2022/23<br>£000 |
|--|----------------------------------|---|-----------------|----------------------------------|---|-----------------|
| Balance at start of the year                 | 25,697                           | 12,192                                  | 37,889          | 40,802                           | 2,581                                   | 43,383          |
| Additions                                    | 202                              | 2,337                                   | 2,539           | 288                              | 788                                     | 1,076           |
| Transfers                                    | 11,506                           | (11,948)                                | (442)           | 3,369                            | (3,369)                                 | 0               |
| Net gains/losses from fair value adjustments | 3,396                            |   | 3,396           |                                  |   | 0               |
| <b>Balance at end of year</b>                | <b>40,802</b>                    | <b>2,581</b>                            | <b>43,383</b>   | <b>44,458</b>                    | <b>0</b>                                | <b>44,458</b>   |

### **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<br>£000 | War Memorials<br>£000 | Statues & Sculptures<br>£000 | Other Items<br>£000 | Total Assets<br>£000 |
|------------------------|-------------------------|-----------------------|------------------------------|---------------------|----------------------|
| 1st April 2022         | 9,090                   | 480                   | 515                          | 348                 | 10,433               |
| Additions              |                         |                       |                              |                     | 0                    |
| Disposals              |                         |                       |                              |                     | 0                    |
| <b>31st March 2023</b> | <b>9,090</b>            | <b>480</b>            | <b>515</b>                   | <b>348</b>          | <b>10,433</b>        |
| 1st April 2021         | 9,090                   | 480                   | 515                          | 348                 | 10,433               |
| Additions              |                         |                       |                              |                     | 0                    |
| Disposals              |                         |                       |                              |                     | 0                    |
| <b>31st March 2022</b> | <b>9,090</b>            | <b>480</b>            | <b>515</b>                   | <b>348</b>          | <b>10,433</b>        |

### Museum Exhibits

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

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

The total of £9.090m represents those items that have formally been valued as at 1<sup>st</sup> April 2011 for insurance purposes by a number of reputable auction houses. The value of the total collection is likely to be far higher, and is valued for insurance purposes at £17.0m (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<br>2022<br>£000 | 31st March<br>2023<br>£000 | 31st March<br>2022<br>£000 | 31st March<br>2023<br>£000 |
| <b>Treasury Investments</b>                 |                            |                            |                            |                            |
| Financial assets at amortised cost          | 0                          | 0                          | 38,750                     | 8,540                      |
| <b>Debtors</b>                              |                            |                            |                            |                            |
| Financial assets at amortised cost          | 25                         | 25                         | 10,259                     | 10,336                     |
| <b>Loans</b>                                |                            |                            |                            |                            |
| Financial liabilities at amortised cost     | 5,000                      | 5,000                      | 4,000                      | 5,000                      |
| <b>Creditors</b>                            |                            |                            |                            |                            |
| Financial liabilities at amortised cost     | 0                          | 0                          | 22,603                     | 6                          |
| <b>Other Long Term Liabilities</b>          |                            |                            |                            |                            |
| Finance Lease Liabilities at amortised cost | 905                        |                            | 567                        |                            |

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.

All investments are held in short dated money market funds. The Council has no long-term treasury funds invested at the year end. Debtors includes a service loans to third parties, Kent Savers £25k Long Term. The Council has no other

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

The Council's treasury management loan balance of £10m is made up of £5m short dated loans and £5m long term loans. Long term loans are 50 year maturity loans with the Public Works Loans Board (PWLB).

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 28 – 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<br>2022<br>£000 | 31st March<br>2023<br>£000 | 31st March<br>2022<br>£000 | 31st March<br>2023<br>£000 |
| <b>Income:</b>                          |                            |                            |                            |                            |
| Financial assets at amortised cost      | 0                          | 0                          | 72                         | 594                        |
| Other Interest                          | 0                          |                            | 0                          |                            |
| <b>Total</b>                            | <b>0</b>                   | <b>0</b>                   | <b>72</b>                  | <b>594</b>                 |
| <b>Expenditure:</b>                     |                            |                            |                            |                            |
| Financial liabilities at amortised cost | 0                          | 81                         | 30                         | 3                          |
| <b>Total</b>                            | <b>0</b>                   | <b>81</b>                  | <b>30</b>                  | <b>3</b>                   |

### 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 2022    |                    | Fair Value Level | 31st March 2023    |                    |
|--|--------------------|--------------------|------------------|--------------------|--------------------|
|  | Book Value<br>£000 | Fair Value<br>£000 |                  | Book Value<br>£000 | Fair Value<br>£000 |
| <b>Financial Assets</b>                    |                    |                    |                  |                    |                    |
| Long Term Investments                      | 0                  | 0                  | 2                | 0                  | 0                  |
| Short Term Investments<br>(less than 1 yr) | 38,791             | 38,783             | 2                | 8,540              | 8,540              |
| <b>Financial Liabilities</b>               |                    |                    |                  |                    |                    |
| Long Term Loans                            | 5,025              | 3,920              | 2                | 5,025              | 2,243              |
| Short Term Loans (less than<br>1 yr)       | 4,002              | 3,992              | 2                | 5,017              | 5,017              |

The fair value of the Long Term PWLB loans of £2.243m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The fair value amount is lower than the balance sheet current value is due to the PWLB loans being at a lower rate to what would be paid if the loan was at the current PWLB new loan rate.

Fair value of short term assets and liabilities are not materially different to their carrying values so are shown as being the same.

## 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 2022/23

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.
- Increase previous counterparty limits due to the increased grant funding from Central Government in relation to COVID19 which were being held until grants were paid to individuals and businesses.

### 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 31<sup>st</sup> March 2023 investments were held with the following institutions:

|                           | <b>31st March<br/>2022<br/>£000</b> | <b>31st March<br/>2023<br/>£000</b> |
|---------------------------|-------------------------------------|-------------------------------------|
| AAA rated Institutions    | 9,750                               | 8,540                               |
| AA+ rated Institutions    | 0                                   | 0                                   |
| AA rated Institutions     | 5,000                               | 0                                   |
| AA- rated Institutions    | 5,000                               | 0                                   |
| A+ rated Institutions     | 16,000                              | 0                                   |
| A rated Institutions      | 3,000                               | 0                                   |
| A- rated Institutions     | 0                                   | 0                                   |
| BBB+ rated Institutions   | 0                                   | 0                                   |
| Unrated Local Authorities | 0                                   | 0                                   |
| UK Government             | 0                                   | 0                                   |
| <b>Total</b>              | <b>38,750</b>                       | <b>8,540</b>                        |

## Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes. 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.

The risk exposure is summarised in the table below:

|   | <b>31st March<br/>2022<br/>£000</b> | <b>31st March<br/>2023<br/>£000</b> |
|---|-------------------------------------|-------------------------------------|
| <b><u>Investments</u></b>               |                                     |                                     |
| Notice accounts/Money market funds      | 27,750                              | 8,540                               |
| Fixed term deposits                     | 11,000                              | 0                                   |
|   | <b>38,750</b>                       | <b>8,540</b>                        |
| <b><u>Borrowings</u></b>                |                                     |                                     |
| Short term loans with local authorities | 4,000                               | 5,000                               |
| Long Term Borrowings with PWLB          | 5,000                               | 5,000                               |
|   | <b>9,000</b>                        | <b>10,000</b>                       |

### **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 – INVENTORIES**

|  | Property acquired or constructed for sale |                 | Other inventory items |                 | Total           |                 |
|--|---|-----------------|-----------------------|-----------------|-----------------|-----------------|
|  | 2021/22<br>£000                           | 2022/23<br>£000 | 2021/22<br>£000       | 2022/23<br>£000 | 2021/22<br>£000 | 2022/23<br>£000 |
| Balance outstanding at start of year   | 4,979                                     | 0               | 174                   | 146             | 5,153           | 146             |
| Purchases                              |   |                 | 290                   | 279             | 290             | 279             |
| Recognised as an expense in the year   | (4,979)                                   |                 | (319)                 | (356)           | (5,298)         | (356)           |
|  |   |                 |                       |                 | 0               | 0               |
| <b>Balance outstanding at year-end</b> | <b>0</b>                                  | <b>0</b>        | <b>146</b>            | <b>68</b>       | <b>146</b>      | <b>68</b>       |

**23 – SHORT AND LONG TERM DEBTORS****Short Term Debtors**

|                                | 2021/22<br>£000 | 2022/23<br>£000 |
|--------------------------------|-----------------|-----------------|
| Central government bodies      | 686             | 2,460           |
| Other local authorities        | 4,759           | 7,086           |
| Other entities and individuals | 14,291          | 12,753          |
| <b>Total</b>                   | <b>19,736</b>   | <b>22,299</b>   |

**Allowance for Bad Debts**

|                                       | 2021/22<br>£000 | 2022/23<br>£000 |
|---------------------------------------|-----------------|-----------------|
| Excess Charges Impairment Allowance   | 676             | 1,016           |
| Sundry Bad Debts Impairment Allowance | 4,764           | 4,610           |
| <b>Total</b>                          | <b>5,441</b>    | <b>5,626</b>    |

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £16.673m.

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

|                             | 2021/22<br>£000 | 2022/23<br>£000 |
|-----------------------------|-----------------|-----------------|
| Council Tax payers          | 1,790           | 2,006           |
| Business Rate payers        | 1,684           | 1,872           |
| Capital debtors             | 178             | 71              |
| General debtors             | 8,982           | 6,938           |
| Payments in Advance         | 582             | 516             |
| Other miscellaneous amounts | 1,075           | 1,351           |
| <b>Total</b>                | <b>14,291</b>   | <b>12,753</b>   |

#### 24 - CASH & CASH EQUIVALENTS

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

|                          | 2021/22<br>£000 | 2022/23<br>£000 |
|--------------------------|-----------------|-----------------|
| Cash held by the Council | 3               | 3               |
| Bank current accounts    | (101)           | 55              |
| Short-term deposits      | 33,750          | 8,540           |
| <b>Total</b>             | <b>33,652</b>   | <b>8,598</b>    |

#### 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, £33.75m 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**

|                                | <b>2021/22</b> | <b>2022/23</b> |
|--------------------------------|----------------|----------------|
|                                | <b>£000</b>    | <b>£000</b>    |
| Central government bodies      | 13,171         | 9,110          |
| Other local authorities        | 4,878          | 7,919          |
| Other entities and individuals | 23,453         | 23,840         |
| <b>Total</b>                   | <b>41,502</b>  | <b>40,870</b>  |

Other entities and individuals are broken down as follows:

|                      | <b>2021/22</b> | <b>2022/23</b> |
|----------------------|----------------|----------------|
|                      | <b>£000</b>    | <b>£000</b>    |
| General creditors    | 4,200          | 5,442          |
| Capital creditors    | 1,416          | 415            |
| Council tax payers   | 0              | 341            |
| Business Rate payers | 0              | 638            |
| Receipts in advance  | 7,293          | 8,242          |
| Deposits             | 9,978          | 8,184          |
| Retentions           | 566            | 578            |
| <b>Total</b>         | <b>23,453</b>  | <b>23,840</b>  |

**26 - PROVISIONS**

|                                    | <b>2021/22</b> | <b>2022/23</b> |
|------------------------------------|----------------|----------------|
|                                    | <b>£000</b>    | <b>£000</b>    |
| Business Rates Appeals - Current   | 1,090          | 1,137          |
| Business Rates Appeals - Backdated | 1,801          | 2,258          |
| Planning Appeals                   | 261            | 261            |
| Other Provisions                   | 215            | 159            |
| <b>Total</b>                       | <b>3,366</b>   | <b>3,815</b>   |

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 31<sup>st</sup> March 2023 are summarised in the following table. The figures for 2021/22 are the audited figures, which differ from those in the 2021/22 Statement of Accounts, as the audit took place after that was published.

Gross expenditure in 2021/22 totalled £461,485 (£485,385 in 2021/22). Gross income in 2021/22 totalled £511,262 (£493,583 in 2021/22).

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

|   | <b>2021/22</b> | <b>2022/23</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| <b>Fixed Assets:</b>                                    |                |                |
| Tangible Assets   | 2,439          | 2,317          |
| Investment Property                                     | 1,103          | 1,103          |
| Investments   | 886            | 831            |
|   | <b>4,428</b>   | <b>4,251</b>   |
| Current Assets  | 491            | 473            |
| Current Liabilities                                     | 202            | 80             |
| Creditors: Amounts falling due after more than one year | 135            | 66             |
| <b>Total assets less total liabilities</b>              | <b>4,582</b>   | <b>4,577</b>   |
| <b>Total Charitable Funds</b>                           | <b>4,582</b>   | <b>4,577</b>   |

## 28 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

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

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

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

**Payments**

|   | <b>2021/22</b> | <b>2022/23</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Balance outstanding at start of year      | 2,020          | 1,482          |
| Repayment of principal                    | (537)          | (567)          |
| <b>Balance outstanding at end of year</b> | <b>1,482</b>   | <b>915</b>     |

These figures are shown on the face of the Balance Sheet as Deferred Liabilities and are split between the Short Term and Long Term elements. The deferred liability is recognised in Net Cost of Services and written out to the Capital Adjustment Account via the Movement in Reserves Statement.

**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.

**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 Earmarked Reserves and the General Fund Balance.

|                              | <b>31st March</b> | <b>31st March</b> |
|------------------------------|-------------------|-------------------|
|                              | <b>2022</b>       | <b>2023</b>       |
|                              | <b>£000</b>       | <b>£000</b>       |
| <b>Balance at 1st April</b>  | <b>459</b>        | <b>288</b>        |
| Capital Receipts Received    | 4,329             | 1,268             |
| Capital Receipts Applied     | (4,500)           | (1,282)           |
| <b>Balance at 31st March</b> | <b>288</b>        | <b>273</b>        |

**30 - UNUSABLE RESERVES**

|                                    | <b>31st March<br/>2022<br/>£000</b> | <b>31st<br/>March<br/>2023<br/>£000</b> |
|------------------------------------|-------------------------------------|---|
| Revaluation Reserve                | 46,444                              | 46,442                                  |
| Capital Adjustment Account         | 73,573                              | 76,586                                  |
| Deferred Capital Receipts Reserve  | 7                                   | 7                                       |
| Pensions Reserve                   | (85,362)                            | (12,393)                                |
| Collection Fund Adjustment Account | (5,640)                             | (1,404)                                 |
| Accumulated Absences Account       | (164)                               | (159)                                   |
| <b>Total Unusable Reserves</b>     | <b>28,857</b>                       | <b>109,079</b>                          |

**a) Revaluation Reserve**

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

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

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

|   | <b>31st March<br/>2022<br/>£000</b> | <b>31st March<br/>2023<br/>£000</b> |
|---|-------------------------------------|-------------------------------------|
| <b>Balance at 1st April</b>   | <b>40,882</b>                       | <b>46,442</b>                       |
| Upward revaluation of assets  | 7,417                               |                                     |
| Downward revaluation of assets  | (2,049)                             |                                     |
| Difference between fair value depreciation and historical cost depreciation | 194                                 |                                     |
| <b>Balance at 31st March</b>  | <b>46,442</b>                       | <b>46,442</b>                       |

**b) Capital Adjustment Account**

The Capital Adjustment Account absorbs the timing differences arising from the different arrangements for accounting for the consumption of non-current assets and for financing the acquisition, construction or enhancement of those assets under statutory provisions. The Account is debited with the cost of acquisition, construction or enhancement as depreciation, impairment losses and amortisations are charged to the Comprehensive Income & Expenditure Statement (with reconciling postings from the Revaluation Reserve to convert

fair value figures to a historical cost basis). The Account is credited with the amounts set aside by the Council as finance for the costs of acquisition, construction and enhancement.

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

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

|   | <b>31st March<br/>2022<br/>£000</b> | <b>31st March<br/>2023<br/>£000</b> |
|---|-------------------------------------|-------------------------------------|
| <b>Balance at 1st April</b>   | <b>73,733</b>                       | <b>73,562</b>                       |
| Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:              |                                     |                                     |
| Charges for depreciation of non-current assets  | (4,770)                             | (4,452)                             |
| Amortisation of intangible assets   | (132)                               | (130)                               |
| Revaluation Gains/Losses on Property, Plant & Equipment   | (6,902)                             | (47)                                |
| Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement          | 3,396                               | 0                                   |
| Revenue expenditure funded from capital under statute   | (7,363)                             | (1,555)                             |
| Write-off of non-enhancing capital expenditure  | (20)                                |                                     |
|   | <b>(15,792)</b>                     | <b>(6,184)</b>                      |
| Adjusting amounts written out of the Revaluation Reserve  | (194)                               |                                     |
| <b>Net written out amount of the cost of non-current assets consumed in the year</b>  | <b>(15,986)</b>                     | <b>(6,184)</b>                      |
| Capital financing applied in the year:  |                                     |                                     |
| Minimum Revenue Provision   | 865                                 | 1,179                               |
| Sums set aside for Debt Repayment   | 537                                 | 567                                 |
| Use of the Capital Receipts Reserve to finance new capital expenditure  | 4,500                               | 1,282                               |
| Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing | 3,945                               | 2,810                               |
| Capital expenditure charged against the General Fund balance  | 5,968                               | 1,338                               |
|   | <b>15,815</b>                       | <b>7,177</b>                        |
| <b>Balance at 31st March</b>  | <b>73,562</b>                       | <b>74,555</b>                       |

### c) Pensions Reserve

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

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

|  | <b>2021/22</b> | <b>2022/23</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Opening balance at 1 April   | 89,783         | 85,362         |
| Remeasurements of the net defined liability  | (9,860)        | (75,519)       |
| 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 | 9,274          | 6,538          |
| Employer's pensions contributions  | (3,835)        | (3,988)        |
| <b>Closing balance at 31 March</b>   | <b>85,362</b>  | <b>12,393</b>  |

#### 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.

|  | <b>31st March</b> | <b>31st March</b> |
|--|-------------------|-------------------|
|  | <b>2022</b>       | <b>2023</b>       |
|  | <b>£000</b>       | <b>£000</b>       |
| <b>Balance at 1st April</b>  | 13,036            | 5,640             |
| 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  | (671)             | 118               |
| - Non-domestic Rates   | (6,726)           | (4,354)           |
| <b>Balance at 31st March</b>   | <b>5,640</b>      | <b>1,404</b>      |

**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.

|   | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| <b>Opening Capital Finance Requirement</b>            | <b>52,730</b>   | <b>63,967</b>   |
| <b>Capital Investment</b>                             |                 |                 |
| Property, Plant & Equipment                           | 21,634          | 13,995          |
| Non-enhancing capital expenditure                     | 20              | 140             |
| Investment Properties                                 | 2,563           | 963             |
| Intangible Assets                                     | 454             | 127             |
| Revenue Expenditure Funded from Capital Under Statute | 2,383           | 1,416           |
|   | <b>27,055</b>   | <b>16,639</b>   |
| <b>Sources of Finance</b>                             |                 |                 |
| Capital receipts                                      | (4,500)         | (1,282)         |
| Government grants & other contributions               | (3,945)         | (2,810)         |
| New Homes Bonus                                       | (3,856)         | 0               |
| Other Revenue Contributions                           | (2,113)         | (3,369)         |
|   | <b>(14,414)</b> | <b>(7,461)</b>  |
| Increase in Capital Financing Requirement             | 12,640          | 9,178           |
| Minimum Revenue Provision Set-aside                   | (1,403)         | (1,746)         |
| <b>Closing Capital Finance Requirement</b>            | <b>63,967</b>   | <b>71,399</b>   |

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 a combination of internal borrowing using existing cash balances and external funding, in accordance with the agreed Treasury Management Strategy for 2022/23.

**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'.

## **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:

|   | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| <b>Comprehensive Income &amp; Expenditure Statement (CIES)</b>  |                 |                 |
| Cost of Services:   |                 |                 |
| Service cost comprising:  |                 |                 |
| - Current service cost  | 7,517           | 5,260           |
| - Past service costs including curtailments   | 0               | 15              |
| Financing and Investment Income & Expenditure:  |                 |                 |
| - Net interest expense  | 1,757           | 1,248           |
| <b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>   | <b>9,274</b>    | <b>6,523</b>    |
| Other Post Employment Benefit Charged to the CI&ES  |                 |                 |
| Remeasurement of the net defined benefit liability comprising:  |                 |                 |
| - Return on plan assets (excluding the amount included in net interest expense)   | 50              | (3,208)         |
| - Actuarial gains and losses arising on changes in financial assumptions  | 10,342          | 86,064          |
| - Actuarial gains and losses arising on changes in demographic assumptions  | 0               | 6,018           |
| - Experience gains and losses on defined benefit obligation   | (532)           | (14,726)        |
| - Other actuarial gains and losses  | 0               | 1,371           |
| <b>Total Post Employment Benefit Charged to the CIES</b>  | <b>19,134</b>   | <b>82,042</b>   |
| Movement in Reserves Statement:   |                 |                 |
| - Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code | 9,274           | 6,538           |
| Actual amount charged against the General Fund Balance for pensions in the year:  |                 |                 |
| - Employers' contributions payable to the scheme  | (3,835)         | (3,988)         |
|   | <b>5,439</b>    | <b>2,550</b>    |

**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 (2020/21 £nil).

**Pension Assets and Liabilities Recognised in the Balance Sheet**

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

|  | <b>2021/22</b> | <b>2022/23</b> |
|--|----------------|----------------|
|  | <b>£000</b>    | <b>£000</b>    |
| Present value of funded obligation                           | 218,989        | 148,586        |
| Fair value of plan assets                                    | (135,059)      | (137,416)      |
| <b>Contributions by scheme participants</b>                  | <b>83,930</b>  | <b>11,170</b>  |
| Present value of unfunded obligation                         | 1,432          | 1,223          |
| <b>Net liability arising from defined benefit obligation</b> | <b>85,362</b>  | <b>12,393</b>  |

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

|   | 2021/22<br>£000 | 2022/23<br>£000 |
|---|-----------------|-----------------|
| Opening fair value of Scheme assets                       | 133,210         | 135,059         |
| Interest on assets  | 2,656           | 4,877           |
| Return on assets less interest                            | 129             | (3,126)         |
| Administration expenses                                   | (79)            | (82)            |
| Contributions by employer including unfunded              | 3,835           | 3,973           |
| Contributions paid by scheme participants                 | 974             | 1,000           |
| Estimated benefits paid plus unfunded net of transfers in | (5,666)         | (5,656)         |
| Other actuarial gains/(losses)                            | 0               | 1,371           |
| <b>Closing fair value of Scheme assets</b>                | <b>135,059</b>  | <b>137,416</b>  |

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

|  | 2021/22<br>£000 | 2022/23<br>£000 |
|--|-----------------|-----------------|
| Opening balance at 1 April                           | 222,993         | 220,421         |
| Current Service cost                                 | 7,517           | 5,260           |
| Interest cost  | 4,413           | 6,125           |
| Change in financial assumptions                      | (10,342)        | (86,064)        |
| Changes in demographic assumptions                   | 0               | (6,018)         |
| Experience loss/(gain) on defined benefit obligation | 532             | 14,726          |
| Past service costs, including curtailments           |                 | 15              |
| Estimated benefits paid net of transfers in          | (5,532)         | (5,522)         |
| Contributions by Scheme participants                 | 974             | 1,000           |
| Unfunded pension payments                            | (134)           | (134)           |
| <b>Closing balance at 31 March</b>                   | <b>220,421</b>  | <b>149,809</b>  |

**Local Government Pension Scheme Assets**

|                      | <b>31st March 2022</b> |             | <b>31st March 2023</b> |             |
|----------------------|------------------------|-------------|------------------------|-------------|
|                      | <b>£000</b>            | <b>%</b>    | <b>£000</b>            | <b>%</b>    |
| Equities             | 86,940                 | 64%         | 87,687                 | 64%         |
| Gilts                | 824                    | 1%          | 753                    | 1%          |
| Other Bonds          | 18,648                 | 14%         | 18,048                 | 13%         |
| Property             | 15,864                 | 12%         | 13,716                 | 10%         |
| Cash                 | 2,791                  | 2%          | 2,465                  | 2%          |
| Absolute return fund | 9,992                  | 7%          | 10,066                 | 7%          |
| Infrastructure       | -                      | -           | 4,681                  | 3%          |
| <b>Total</b>         | <b>135,059</b>         | <b>100%</b> | <b>137,416</b>         | <b>100%</b> |

**Basis for Estimating Assets and Liabilities**

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

The scheme has been assessed by Barnett Waddingham, an independent firm of actuaries. Estimates for the Kent County Council Pension Fund are based on the full valuation of the scheme as at 31<sup>st</sup> March 2022.

The principal assumptions used by the actuary have been:

|  | <b>2021/22</b> | <b>2022/23</b> |
|--|----------------|----------------|
| <b>Long-term expected rate of return of assets in the scheme</b> |                |                |
| <b>Mortality Assumptions</b>                                     |                |                |
| Longevity at 65 for current pensioners                           |                |                |
| - Men  | 21.6           | 21.1           |
| - Women  | 23.7           | 23.5           |
| Longevity at 65 for future pensioners                            |                |                |
| - Men  | 23.0           | 22.3           |
| - Women  | 25.1           | 25.0           |
| <b>Financial Assumptions</b>                                     |                |                |
| RPI increases  | N/A            | N/A            |
| CPI increases  | 3.20%          | 2.90%          |
| Salary increases   | 4.20%          | 3.90%          |
| Pension increases  | 3.20%          | 2.90%          |
| Discount Rate  | 2.60%          | 4.80%          |

**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.

| <b>Sensitivity Analysis</b>                              | <b>£000</b> | <b>£000</b> | <b>£000</b> |
|--|-------------|-------------|-------------|
| Adjustment to discount rate                              | +0.1%       | 0.0%        | -0.1%       |
| - Present Value of Total Obligation                      | 129,073     | 149,809     | 176,730     |
| - Projected Service Cost                                 | 1,879       | 2,710       | 3,887       |
| Adjustment to long-term salary increase                  | +0.1%       | 0.0%        | -0.1%       |
| - Present Value of Total Obligation                      | 15,021      | 149,809     | 147,774     |
| - Projected Service Cost                                 | 2,728       | 2,710       | 2,692       |
| Adjustment to pension increases and deferred revaluation | +0.1%       | 0.0%        | -0.1%       |
| - Present Value of Total Obligation                      | 174,784     | 149,809     | 130,589     |
| - Projected Service Cost                                 | 3,900       | 2,710       | 1,869       |
| Adjustment to life expectancy assumptions                | +1 Year     | None        | -1 Year     |
| - Present Value of Total Obligation                      | 155,909     | 149,809     | 143,981     |
| - Projected Service Cost                                 | 2,805       | 2,710       | 2,617       |

### Scheme History

|  | <b>2018/19</b>  | <b>2019/20</b>  | <b>2020/21</b>  | <b>2021/22</b>  | <b>2022/23</b>  |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
|  | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     | <b>£000</b>     |
| Present value of defined benefit obligation in the Local Government Pension Scheme | (183,242)       | (175,391)       | (221,430)       | (218,989)       | (148,586)       |
| Fair value of assets in the Local Government Pension Scheme                        | 113,698         | 103,305         | 133,210         | 135,059         | 137,416         |
| Present value of unfunded obligation   | (1,937)         | (1,591)         | (1,563)         | (1,432)         | (1,223)         |
| <b>Surplus/(Deficit) in the scheme</b>   | <b>(71,481)</b> | <b>(73,677)</b> | <b>(89,783)</b> | <b>(85,362)</b> | <b>(12,393)</b> |

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £12.393m 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 2024 are £3.625m.

The significant reduction in the liability figure this year is due to a change in the discount rate assumption, which in turn reflects current interest rates.

## **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 2022.

### 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 one arrangement which it classifies as a finance lease, the operation of the leisure centre.

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

|  | 31st March<br>2022<br>£000 | 31st March<br>2023<br>£000 |
|--|----------------------------|----------------------------|
| Not more than 1 year                         | 590                        | 597                        |
| Later than 1 year and not later than 5 years | 905                        | 309                        |
| Later than 5 years                           | 0                          | 0                          |
|  | <b>1,496</b>               | <b>905</b>                 |

#### 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 31<sup>st</sup> March 2023 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

|                                     | 2021/22<br>£000 | 2022/23<br>£000 |
|-------------------------------------|-----------------|-----------------|
| Depreciation                        | (4,770)         | (4,452)         |
| Revaluation Gains & Losses          | (6,902)         | (47)            |
| Amortisation of Intangible Assets   | (132)           | (130)           |
| Movement in Creditors               | (8,309)         | 4,612           |
| Movement in Debtors                 | (2,739)         | (115)           |
| Movement in Inventories             | (5,008)         | (78)            |
| Movement in Pension Liabilities     | (5,439)         | (2,550)         |
| Derecognition of non-current assets |                 |                 |
| Other Non-Cash items                | 3,194           | (448)           |
|                                     | <b>(30,105)</b> | <b>(3,207)</b>  |

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

|  | 2021/22<br>£000 | 2022/23<br>£000 |
|--|-----------------|-----------------|
| Capital Grants credited to surplus or deficit on the provision of services | 5,791           | 3,945           |
| Proceeds from sale of Property, Plant & Equipment                          | 1,962           | 4,329           |
|  | <b>7,753</b>    | <b>8,274</b>    |

### 37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

|  | 2021/22<br>£000 | 2022/23<br>£000 |
|--|-----------------|-----------------|
| Purchase of property, plant & equipment, investment property and intangible assets               | 24,680          | 17,916          |
| Purchase of short-term and long-term investments   | 3,000           | 0               |
| Proceeds from the sale of property, plant & equipment, investment property and intangible assets | (4,329)         | (1,268)         |
| Proceeds from short-term and long-term investments   | 0               | 0               |
| Other payments for investing activities  | 808             | 0               |
| Other receipts for investing activities (Grants)   | (6,782)         | (3,022)         |
| <b>Net cash flows from investing activities</b>  | <b>17,377</b>   | <b>13,626</b>   |

**38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES**

|  | <b>2021/22</b><br><b>£000</b> | <b>2022/23</b><br><b>£000</b> |
|--|-------------------------------|-------------------------------|
| Cash receipts of short- and long-term borrowing  | 0                             | (820)                         |
| Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts | 567                           | 0                             |
| Repayments of short & long-term borrowing  | 2,000                         | 0                             |
| Other payments for financing activities  | (18,524)                      | 22,331                        |
| <b>Net cash flows from financing activities</b>  | <b>(15,957)</b>               | <b>21,511</b>                 |

## COLLECTION FUND STATEMENT &amp; NOTES

| 2021/22            |   | 2022/23 |                |
|--------------------|---|---------|----------------|
| £000               |   | £000    | £000           |
| <b>INCOME</b>      |   |         |                |
| 133,042            | Income From Council Tax   | 139,905 |                |
| 43,493             | Income From Business Rates (Note 2)   | 54,634  |                |
| <b>176,535</b>     | <b>Total Income</b>   |         | <b>194,539</b> |
| <b>EXPENDITURE</b> |   |         |                |
| 89,647             | Precepts and Demands - Council Tax<br>Kent County Council                           | 97,786  |                |
| 13,786             | Kent Police & Crime Commissioner  | 15,267  |                |
| 19,342             | Maidstone Borough Council   | 20,967  |                |
| 5,106              | Kent Fire & Rescue Authority  | 5,510   |                |
| 12,318             | Shares of Business Rates<br>Central Government                                      | 20,864  |                |
| 2,217              | Kent County Council   | 3,755   |                |
| 9,855              | Maidstone Borough Council   | 16,691  |                |
| 246                | Kent Fire & Rescue Authority  | 417     |                |
| 789                | Transitional Protection Payments - Business Rates                                   | 246     |                |
| 182                | Disregarded Amounts - Business Rates  | 178     |                |
| 394                | Impairment of Debts - Council Tax<br>Write offs of uncollectable amounts            | 426     |                |
| 352                | Additional / (Reduced) Impairment of Aged Debt                                      | 735     |                |
| 152                | Impairment of Debts/Appeals - Business Rates<br>Write offs of uncollectable amounts | 4       |                |
| 11                 | Additional / (Reduced) Impairment of Aged Debt                                      | (57)    |                |
| (1,968)            | Losses on appeal  | (1,625) |                |
| 2,837              | Additional / (Reduced) Provision For Appeals  | 2,884   |                |
| 207                | Cost of Collection Allowance - Business Rates                                       | 205     |                |
| <b>155,473</b>     | <b>Total Expenditure</b>  |         | <b>184,254</b> |
| 21,062             | Surplus/(Deficit) For Year  |         | 10,285         |
| (32,901)           | Surplus/(Deficit) Brought Forward From Previous Years                               |         | (11,839)       |
| <b>4,142</b>       | <b>Surplus/(Deficit) on Council Tax</b>   |         | <b>3,355</b>   |
| <b>(15,981)</b>    | <b>Surplus/(Deficit) on Business Rates</b>  |         | <b>(4,910)</b> |
| <b>(11,839)</b>    | <b>Surplus/(Deficit) as at 31st March 2023</b>                                      |         | <b>(1,554)</b> |

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

NNDR collection 2022-23 was slightly inflated by the redistribution of remaining CARF funds at the annual billing stage of 2022-23...and the carrying over of credits on accounts already paid in full for 2021-22 into the new financial year.

Courts resumed properly in 2022-23, but 'low income' CTS cases have continued to be excluded from liability order hearings. Their reintroduction will be staggered over the second half of 2023-24, there are still fewer courts than there were prior to the Covid Pandemic, however we are now able to have a full recovery timetable in place.

The impact of the 'Cost of Living' crisis continues to impact Council Tax collection and, in either case, both Council Tax and Business Rates collection rate targets have been carried across from the previous financial year targets.

## 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: 65896.2 for 2022/23 (64,089.4 for 2021/22) (see table below.) This basic amount of Council Tax for a Band D property, £2048.04 for 2022/23 (£1,988.63 for 2021/22), 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                 | 5/9        | 1.4              |
| Band A                        | 2,635               | 6/9        | 1,770.8          |
| Band B                        | 6,466               | 7/9        | 5,070.8          |
| Band C                        | 15,940              | 8/9        | 14,285.4         |
| Band D                        | 16,948              | 9/9        | 17,087.8         |
| Band E                        | 9,523               | 11/9       | 11,734.7         |
| Band F                        | 5,667               | 13/9       | 8,253.5          |
| Band G                        | 4,162               | 15/9       | 6,993.5          |
| Band H                        | 350                 | 18/9       | 706.0            |
| Other                         | 0                   |            | 196.0            |
|                               |                     |            | <b>66,099.9</b>  |

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

The Council collects Business Rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by Central Government. There are two multipliers:

- Standard Multiplier 51.2p / £ Rateable Value (51.2p in 2021/22)
- Small Business Multiplier 49.9p / £ Rateable Value (49.9p in 2021/22)

The rateable value at 31st March 2023 was £149.209m (£149.889m at 31st March 2022).

For 2022/23, it was calculated that the Council would receive £16.691m in business rates (£9.855m in 2021/22).

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 2022/23, (£19.339m in 2021/22) 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.

**INDEPENDENT AUDITOR'S REPORT**

To follow