MAIDSTONE
Borough Council
Great People, Great Place, Great Opportunity

Statement of Accounts for the year ending 31 March 2014

CONTENTS

EXPLANATORY FOREWORD

Review of 2013/14 Financial Year

Statement of Accounts

The Council's accounts for the year 2013/14, covering the period 1st April 2013 to 31st March 2014, are set out on the following pages. They consist of:

1. The Primary Statements, consisting of the Movement in Reserves Statement, the Comprehensive Income & Expenditure Statement, the Balance Sheet and the Cash Flow Statement. The purpose of these statements is explained in more detail in the section following this foreword.

2. Notes to the Accounts – these provide more detailed analysis and information on significant balances and movements within the statements listed above.

3. The Collection Fund - shows the transactions of the Council in relation to Non Domestic Rates, Council Tax and residual Community Charge. It illustrates the way in which these have been distributed to Preceptors and the General Fund.

All the figures in the above sections have been rounded to the nearest £1000.

This Statement has been produced in accordance with the requirements of the Code of Practice on Local Authority Accounting for 2013/14, which requires the Statement to comply with International Financial Reporting Standards (IFRS), as adapted for the public sector.

These accounts are preceded by the Explanation of the Purpose of the Primary Statements and the Statement of Responsibilities.

In line with the Accounts & Audit Regulations 2011, the Statement of Accounts is now required to be signed off by the Responsible Financial Officer by 30th June, with the approval of the Audit Committee to be given by 30th September.

There were no significant changes to the accounting requirements for 2013/14. Due to the adoption of the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits, some minor changes have been reflected in the restated 2012/13 Movement in Reserves Statement, Comprehensive Income & Expenditure Statement and the relevant notes to the accounts. A comparison of the original and restated statements is provided in the Accounting Policies section. The net pension liability remains unchanged at 31st March 2013 so there is no need to restate the balance sheet.

A new system for the distribution of business rates was introduced from April 2013. Previously, money was paid into a National Pool and the Council received a contribution from the Pool based on a standard amount per head of local adult population. The new system is intended to provide a link between business rates growth and the amount of money that councils have to spend on local services. Councils will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. This is intended to provide a financial incentive for councils to promote economic growth.

The Council's financial year runs from 1st April to 31st March. A summary of the Balance Sheet as at 31st March 2014 is shown below:

2012/13 £000		2013/14 £000
60,815	Property, Plant & Equipment	59,815
10,334	Heritage Assets	10,363
12,567	Investment Properties	12,727
703	Other Long Term Assets	581
25,741	Money owed to the Council	30,056
(11,253)	Money owed by the Council	(14,393)
(51,250)	Long Term Liabilities	(58,327)
47,657	**Net Assets**	**40,822**
14,275	Usable Reserves	16,392
33,382	Unusable Reserves	24,430
47,658	**Total Reserves**	**40,822**

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

- Long Term Liabilities have increased by £7.5m as a consequence of an increase in the pensions liability following the annual assessment of the fund by actuaries acting on behalf of Kent County Council. There is a corresponding reduction in Unusable Reserves.
- The level of investments held at the end of the year has increased by £5.7m.
- The creditors balance has increased by £3.0m, due mainly to changes in accounting for business rates, and monies owed at year end in respect of the new Mid-Kent Waste Partnership arrangement.
- Provision for Bad Debts has increased by £2.4m, due mainly to changes in accounting for the Collection Fund.

Comprehensive Income & Expenditure Statement

The Comprehensive Income & Expenditure Statement summarises the cost of all General Fund services provided by the Council. The table below summarises the original budget, revised budget and funding:

Portfolio	Original Estimate £000	Revised Estimate £000	Actual £000	Variance to Revised £000
Leader of the Council	(748)	1,562	965	(597)
Community & Leisure Services	2,207	6,546	7,050	504
Corporate Services	11,097	5,927	3,301	(2,627)
Economic & Commercial Development	1,210	3,706	4,182	477
Environment	6,288	6,290	5,954	(336)
Planning, Transport & Development	(415)	1,941	1,078	(863)
Contribution to/(from) Balances	(90)	(6,424)	(2,673)	3,751
Net Service Spending	**19,549**	**19,549**	**19,857**	**308**
Parish Precepts	1,188	1,188	1,188	0
Local Council Tax Support Scheme	110	110	110	0
Net Expenditure	**20,847**	**20,847**	**21,155**	**19,549**
Funded by:				
Council Tax	13,687	13,687	13,687	0
Revenue Support Grant	4,280	4,280	4,280	0
Retained Business Rates	2,848	2,848	2,848	0
Collection Fund Surplus	32	32	32	0
Total Funding	**20,847**	**20,847**	**20,847**	**0**

Significant variances within Net Service Spending are as follows:

- Leader of the Council – this positive variance relates to the Contingency budgets that exist for in-year cost pressures are held in this portfolio. They allow the Council some resilience from unexpected pressure from service demand year on year.

- Community & Leisure Services – the adverse variance in this portfolio is due to the Homelessness budget which is over spent by £0.189m, due to demand for that service, resulting in extensive use of bed and breakfast providers during the year.

- Corporate Services – the positive variance relates mainly to unused resources set aside to finance the capital programme, which were mainly derived from New Homes Bonus grant. These resources will be carried forward to 2014/15 to ensure the capital programme is fully funded.

- Economic & Commercial Development – the adverse variance in this portfolio relates mainly the new contract to manage the Hazlitt Arts Centre. There was a delay in completing the contract and some agreed maintenance works were also carried out during 2013/14.

- Environment – the positive variance relates mainly to a number of low value positive variances across the portfolio, but also includes additional income received from garden waste bins.

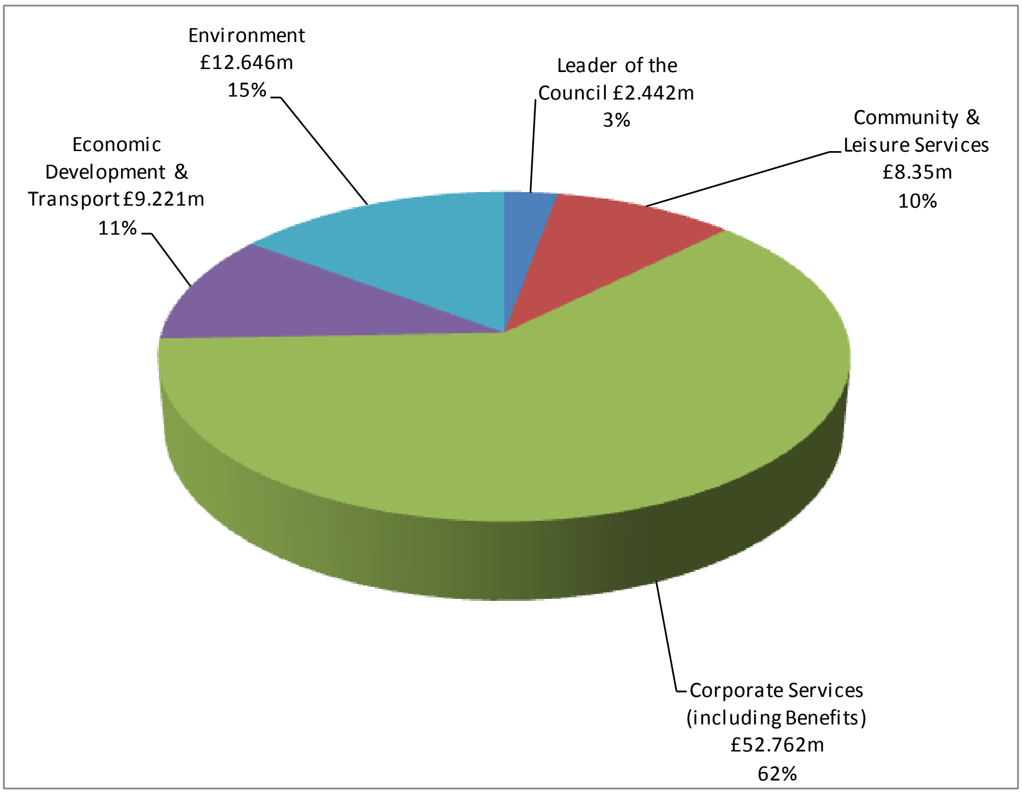
- Planning, Transport & Development – the positive variance in this portfolio in mainly a consequence of additional planning fee income received during the year.

The figures in this table will differ from those shown in note 10 (Amounts Reported for Resource Allocation Decisions) as that note only covers the net cost of services as shown in the Comprehensive Income & Expenditure Report, whereas the table above picks up figures that are not included within the net cost of services.

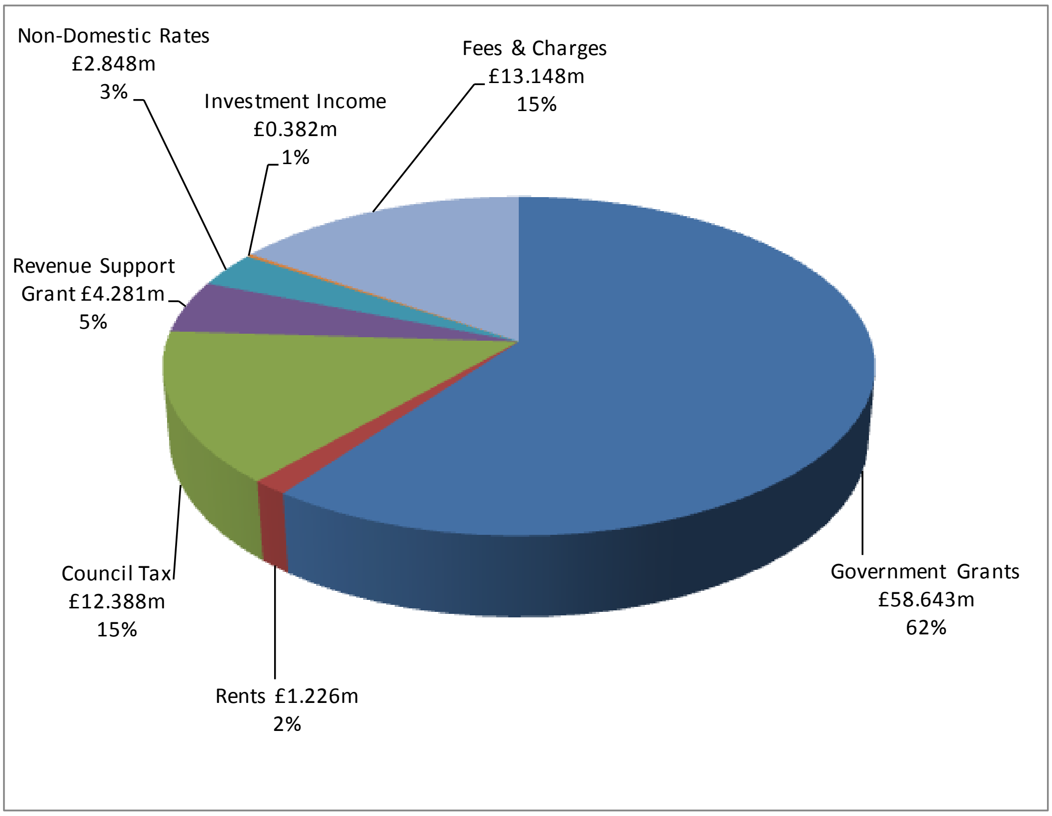
Expenditure & Income - The pie charts shown below and on the following page illustrate in broad terms where the Council's money comes from and the services that it provides.

18% of the Council's income came from the services it provided through rents, fees and charges and interest. The largest single source of income was Specific Government Grants, such as Rent Allowances and Housing Subsidy, which provide 62% of the total.

Spending – Where it Went



Income – Where it Came From



Capital Expenditure & Income

The Council spent £5.753m on Capital Projects compared to an original estimate of £5.671m. As a result of unused resources carried forward to 2013/14 and other adjustments to the programme during the year the revised estimate was set at £7.912m. Significant elements of the capital spending were phase 2 of the High Street Regeneration Project (£1.215m), Renovation Grants (£0.845m), the acquisition of two new properties (£1.249m) and the demolition of King Street Multi-Storey Car Park and its subsequent replacement with a surface car park (£0.597m).

A summary of capital expenditure is shown below:

	Original Estimate £000	Revised Estimate £000	Actual £000	Variance to Revised £000
Planning, Transport & Development	0	23	0	23
Community & Leisure Services	2,798	3,286	2,560	726
Corporate Services	1,221	1,208	1,146	62
Economic & Commercial Development	1,651	3,214	1,927	1,287
Environment	0	181	120	61
Total	**5,671**	**7,912**	**5,753**	**2,159**

The variance within Community & Leisure Services relates to unspent funding for Renovation Grants and Support for Social Housing. Within Economic & Commercial Development the variance relates to unspent funding for the Acquisition of Commercial Assets.

Capital expenditure was funded as follows:

	£000
Revenue Support	1,697
Disposal of Assets - Current & Previous Years	2,507
Other Grants & Contributions	1,549
Total	**5,753**

The disposal of assets during the year realised capital receipts of £1.657m, and £0.193m of useable capital receipts have been carried forward for future use. Funding of £0.369m has also been received from the Cobtree Manor Estate Trust towards the new play area at Cobtree Manor Park, and a further £0.609m was received to fund phase 2 of the High Street Regeneration Project. Grants to the value of £0.502m have also been received from various sources to fund renovation grant payments.

Borrowing & Investments

The Council has adopted the requirements of the CIPFA Prudential Code for Capital Finance. This has given individual authorities responsibility for deciding their own level of affordable borrowing, based on the guidelines laid out in the Code. However, there was no long-term borrowing during 2013/14, as there were sufficient resources available to fund the programme.

Investment income, which historically has been quite high, has now fallen to lower levels, with interest of £0.231m being generated in 2013/14. (The figure for 2012/13 was £0.402m). This is a reflection of the current low level of interest rates, along with the lower level of resources available for investment. The level of capital receipts has continued to fall as they are used to fund the capital programme, and the effects of the economic downturn means that the Council has had difficulty in disposing of surplus assets which would have generated significant capital receipts.

Collection Fund

The Council is a Billing Authority, meaning it is responsible for collecting and paying over Council Tax contributions on behalf of Kent County Council, Kent Police & Crime Commissioner, Kent and Medway Towns Fire Authority, and the Parish Councils within the Borough area. The Council operates a Collection Fund into which it pays all income collected from the Council Tax and National Non-Domestic Rates. The budgeted demands on the Fund at the start of 2013/14 totalling £83.028m were as follows:

Authority	£000
Maidstone Borough Council	13,687
Kent County Council	57,790
Kent Police & Crime Commissioner	7,803
Kent & Medway Towns Fire & Rescue Authority	3,748
Total	**83,028**

The Band D level of Council Tax in 2013/14 was £1,483.82, which breaks down as follows:

Authority	**£.p**
Maidstone Borough Council	226.62
Kent County Council	1,047.78
Kent Police & Crime Commissioner	141.47
Kent & Medway Towns Fire & Rescue Authority	67.95
Total	**1,483.82**

Individual additions to the Council Tax level were made to cover Parish Precepts in parished areas. This level of Council Tax related to a property in Band D and by the application of statutory multipliers the corresponding amount was charged to all properties in Bands A-H.

Pensions

Note 34 to the Balance Sheet refers to the Disclosure of Net Pension Assets and Liabilities. Under the requirements of IAS 19 (International Accounting Standard) on Retirement Benefits these figures are reflected in the Council's Balance Sheet and Comprehensive Income & Expenditure Statement. The latest actuarial valuation carried out on behalf of the Kent County Council Pension Fund shows a significant movement in the liability related to the pension scheme, from £46.985m in 2012/13 to £56.476m in 2013/14.

Other Comments

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

Future Developments

The ongoing economic situation will continue to have a significant effect on the financial position of the Council in 2014/15. With continuing uncertainty over new capital receipts, existing receipts will need to be used to fund the capital programme, which in turn will further reduce sums available to invest.

Investment income will be a smaller source of income than in previous years due to continuing low interest rates, and there is also likely to continue to be reduced income from fees and charges.

There is also the likelihood of further pressures arising from the Government's commitment to reduce the national budget deficit. Cuts to central government funding have meant that substantial budget reductions will continue to be made over the next few years.

The Council will continue to explore ways of reducing its costs through efficiency savings, commercial initiatives, shared services and partnership working. There is a formal arrangement with Swale and Tunbridge Wells Borough Councils in the form of the Mid-Kent Improvement Partnership (MKIP), and a number of partnership arrangements are now established covering Internal Audit, Licensing, Revenues & Benefits, ICT Services and Legal Services.

The Council is also developing a strategy for commercialisation with a view to exploring new ways of generating income from various sources. The first area that has been developed is a commercial waste venture for local small and medium businesses and work is currently being undertaken around cultural and leisure activities.

Authorised for Publication

This Statement was authorised for publication on 30th June 2014, the date it was signed by the Director of Regeneration & Communities as presenting a true and fair view of the financial affairs of the Council for 2013/14.

EXPLANATION OF THE PURPOSE OF THE PRIMARY STATEMENTS

Movement in Reserves Statement

This shows the movement in the year on the different reserves held by the Council, analysed into 'usable reserves' (i.e. those that can be applied to fund expenditure or reduce local taxation) and other reserves. The Surplus (or Deficit) on the Provision of Services line shows the true economic cost of providing the Council's services, more details of which are shown in the Comprehensive Income & Expenditure Statement. These are different from the statutory amounts required to be charged to the General Fund Balance for council tax setting purposes. The Net Increase/Decrease before Transfers to Earmarked Reserves line shows the statutory General Fund Balance before any discretionary transfers to or from earmarked reserves undertaken by the Council.

Comprehensive Income & Expenditure Statement

This shows the accounting cost in the year of providing services in accordance with generally accepted accounting practices, rather than the amount to be funded from taxation. Councils raise taxation to cover expenditure in accordance with regulations; this may be different from the accounting cost. The taxation position is shown in the Movement in Reserves Statement.

Balance Sheet

This shows the value as at the Balance Sheet date of the assets and liabilities recognised by the Council. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. Reserves are reported in two categories. The first category of reserves are usable reserves, i.e. those reserves that the Council may use to provide services, subject to the need to maintain a prudent level of reserves and any statutory limitations on their use (for example the Capital Receipts Reserve that may only be used to fund capital expenditure or repay debt). The second category of reserves is those that the Council is not able to use to provide services. This category of reserves includes reserves that hold unrealised gains and losses (for example the Revaluation Reserve), where amounts would only become available to provide services if the assets are sold; and reserves that hold timing differences shown in the Movement in Reserves Statement line 'Adjustments between accounting basis and funding basis under regulations'.

Cash Flow Statement

This shows the changes in cash and cash equivalents of the Council during the reporting period. The statement shows how the Council generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of the extent to which the operations of the Council are funded by way of taxation and grant income or from the recipients of services provided the Council. Investing activities represent the extent to which cash outflows have been made for resources which are intended to contribute to the Council's future service delivery. Cash flows arising from financing activities are useful in predicting claims on future cash flows by providers of capital (i.e. borrowers) to the Council.

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

- Make arrangements for the proper administration of its financial affairs and to secure that one of its officers has the responsibility for the administration of those affairs. In the Council, that officer is the Director of Regeneration & Communities.

- Manage its affairs to secure economic, efficient and effective use of resources and safeguard its assets.

- Approve the Statement of Accounts.

The Director of Regeneration & Communities' Responsibilities

The Director of Regeneration & Communities 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 Regeneration & Communities 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 Regeneration & Communities has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2014.

Signed:

Zena Cooke, Director of Regeneration & Communities

Date: 30th June 2014

PRIMARY STATEMENTS

MOVEMENT IN RESERVES STATEMENT For the years ended 31 March 2013 & 2014

	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2013	12,583	1,043	649	14,275	33,382	47,657
Movement in Reserves during 2013/14						
Surplus or Deficit on the Provision of Services	(1,833)			(1,833)		(1,833)
Other Comprehensive Income and Expenditure			0	0	(5,002)	(5,002)
Total Comprehensive Income and Expenditure	**(1,833)**	**0**	**0**	**(1,833)**	**(5,002)**	**(6,835)**
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	4,691	(856)	115	3,950	(3,950)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	**4,691**	**(856)**	**115**	**3,950**	**(3,950)**	**0**
Transfers to/from Earmarked Reserves	0	0	0	0	0	**0**
Increase or Decrease in Year	2,858	(856)	115	2,117	(8,952)	(6,835)
Balance at 31st March 2014	**15,441**	**187**	**764**	**16,392**	**24,430**	**40,822**

Restated	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2012	10,104	55	110	10,269	39,078	49,347
Movement in Reserves during 2012/13						
Surplus or Deficit on the Provision of Services	(1,505)			(1,505)		(1,505)
Other Comprehensive Income and Expenditure					(185)	(185)
Total Comprehensive Income and Expenditure	**(1,505)**			**(1,505)**	**(185)**	**(1,690)**
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	3,984	988	539	5,511	(5,511)	
Net Increase or Decrease before Transfers to Earmarked Reserves	**3,984**	**988**	**539**	**5,511**	**(5,511)**	
Transfers to/from Earmarked Reserves						
Increase or Decrease in Year	**2,479**	**988**	**539**	**4,006**	**(5,696)**	**(1,690)**
Balance at 31st March 2013	**12,583**	**1,043**	**649**	**14,275**	**33,382**	**47,657**

2012/13 has been restated to reflect the adoption of the 2011 amendments to International Accounting Standard (IAS) 19 Employee Benefits. Details are shown in Note 1g) – the accounting policy for Employee Benefits.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ended 31 March 2013 & 2014

2012/13 (Restated) Gross Expenditure £000	2012/13 (Restated) Gross Income £000	2012/13 (Restated) Net Expenditure £000		2013/14 Gross Expenditure £000	2013/14 Gross Income £000	2013/14 Net Expenditure £000
22,815	(20,860)	1,955	Central services to the public	14,623	(12,757)	1,866
9,228	(4,273)	4,955	Cultural & Related Services	10,189	(4,254)	5,935
12,752	(5,195)	7,557	Environment & Regulatory Services	12,264	(5,672)	6,592
5,059	(1,830)	3,229	Planning Services	7,049	(4,006)	3,043
5,208	(5,651)	(443)	Highways and transport services	5,040	(5,461)	(421)
50,614	(47,693)	2,921	Other housing services	51,929	(49,538)	2,391
2,306	(168)	2,138	Corporate and democratic core	2,421	(308)	2,114
1,699	(4)	1,695	Non distributed costs	1,859		1,859
109,681	**(85,674)**	**24,007**	**Cost Of Services**	**105,375**	**(81,997)**	**23,379**
1,221	(490)	731	Other Operating Expenditure (Note 7)	1,292	(192)	1,101
2,464	(859)	1,605	Financing and Investment Income and Expenditure (Note 8)	2,458	(231)	2,227
	(24,838)	(24,838)	Taxation and Non-Specific Grant Income and Expenditure (Note 9)		(24,874)	(24,874)
		1,505	**(Surplus) or Deficit on Provision of Services**			**1,833**
		(503)	Surplus or deficit on revaluation of non current assets			(572)
		688	Remeasurement of the Net Defined Benefit Liability			5,574
		185	**Other Comprehensive Income and Expenditure**			**5,002**
		1,690	**Total Comprehensive Income and Expenditure**			**6,835**

There were no items of a material nature that required a separate disclosure within Net Cost of Services. 2012/13 has been restated to reflect the adoption of the 2011 amendments to International Accounting (IAS) 19 Employee Benefits. Details are shown in Note 1g) – the accounting policy for Employee Benefits.

BALANCE SHEET

As at 31 March 2013 & 2014

31st March 2013 £000		Notes	31st March 2014 £000
60,815	Property, Plant & Equipment	17	59,815
12,567	Investment Property	18	12,727
10,334	Heritage Assets	19	10,363
663	Intangible Assets		545
11	Long Term Investments	21	11
30	Long Term Debtors		26
84,420	**Long Term Assets**		83,487
7,000	Short Term Investments	21	5,029
550	Assets Held for Sale	23	0
106	Inventories		93
11,555	Short Term Debtors	24	9,403
6,529	Cash & Cash Equivalents	25	15,530
25,740	**Current Assets**		30,055
77	Cash & Cash Equivalents	25	0
6,882	Short Term Creditors	26	8,344
1,981	Provision for Bad Debts	27	2,927
0	Provision for Business Rate Appeals	27	1,151
729	Deferred Liability	29/30	604
1,584	Capital Grants Receipts in Advance		1,367
11,253	**Current Liabilities**		14,393
140	Provisions		180
2,124	Deferred Liability	29/30	1,671
48,986	Other Long Term Liabilities	34	56,476
51,250	**Long Term Liabilities**		58,327
47,657	**Net Assets**		**40,822**
14,274	Usable Reserves		16,392
33,382	Unusable Reserves	32	24,430
47,657	**Total Reserves**		**40,822**

CASHFLOW STATEMENT

Restated 2012/13 £000		Notes	2013/14 £000
1,504	Net (surplus) or deficit on the provision of services		1,833
(2,842)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	40	(12,409)
6,547	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	41	3,537
5,209	**Net cash flows from Operating activities**		(7,040)
(4,838)	Investing Activities	43	(2,988)
(26)	Financing Activities	44	950
345	**Net increase or decrease in cash & cash equivalents**		(9,078)
(6,797)	Cash & cash equivalents at the beginning of the reporting period		(6,452)
(6,452)	**Cash & cash equivalents at the end of the reporting period**		**(15,530)**

2012/13 has been restated to reflect the adoption of the 2011 amendments to International Accounting (IAS) 19 Employee Benefits.

NOTES TO THE ACCOUNTS

1 - ACCOUNTING POLICIES

a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2013-14 financial year and its position at the year-end of 31 March 2014. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations 2011 which those regulations require to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2013/14 and the Service Reporting Code of Practice 2013/14, supported by International Financial Reporting Standards (IFRS).

The financial information contained in the accounts has the following qualitative characteristics, as laid out in the Code of Practice on Local Authority Accounting:

- Relevance
- Reliability
- Comparability
- Understandibility

In addition, the following accounting concepts have been given precedence in the preparation of the accounts:

- Going concern
- Primary legislative requirements

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

b) ACCRUALS OF INCOME & EXPENDITURE

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

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

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

- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.

- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.

- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.

- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

- The Council is a billing authority which is required to bill local residents and businesses for Council Tax and National Non-Domestic Rates respectively. The Council acts as an agent for Kent County Council, the Police and Crime Commissioner for Kent and the Kent & Medway Fire and Rescue Authority in respect of Council Tax and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Council Tax and the major precepting authorities as a net debtor or creditor.

- Similarly, the Council acts as an agent for the Government, Kent County Council and the Kent & Medway Fire and Rescue Authority in respect of Business Rates and as such the Accounts show the amount owed by and to taxpayers in respect of our proportion of the Business Rates and the other bodies covered by the Business Rates Retention scheme as a net debtor or creditor.

- In addition, the Comprehensive Income and Expenditure Statement includes our share of the Collection Fund surplus/deficit for the year in respect of Council Tax and Business Rates, which is subsequently reversed within the Movement in Reserves Statement to the Collection Fund Adjustment Account in the Balance Sheet.

c) CASH & CASH EQUIVALENTS

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

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

Council's cash management.

d) EXCEPTIONAL ITEMS

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

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

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

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

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

f) CHARGES TO REVENUE FOR NON-CURRENT ASSETS

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

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

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

g) EMPLOYEE BENEFITS

Benefits Payable During Employment

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

Termination Benefits

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

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

Post Employee Benefits

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

- The liabilities of the KCC pension scheme attributable to the Council are included in the Balance Sheet on an actuarial basis using the projected unit method – i.e. an assessment of the future payments that will be made in relation to retirement benefits earned to date by employees, based on assumptions about mortality rates, employee turnover rates, etc. and projected earnings for current employees.

- Liabilities are discounted to their value at current prices, using a discount rate specified by the actuaries (based on the indicative rate of return on high quality corporate bonds.)

- The assets of the KCC pension fund attributable to the Council are included in the Balance Sheet at their fair value:

- Quoted securities – current bid price
- Unquoted securities – professional estimate
- Unitised securities – current bid price
- Property – market value

- The change in net pensions liability is analysed into the following components:
  - Service cost which comprises:
    - Current service cost – the increase in liabilities as a result of years of service earned in the current year – allocated in the Comprehensive Income & Expenditure Statement to the services for which the employees worked.
    - Past service cost – the increase in liabilities as a result of a scheme amendment or curtailment whose effect relates to years of service earned in earlier years – debited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income & Expenditure Statement as part on Non Distributed Costs.
    - Net interest on the net defined benefit liability, i.e. net interest expense for the Council – the change during the period in the net defined benefit liability that arises from the passage of time charged to the Financing & Investment Income & Expenditure line of the Comprehensive Income & Expenditure Statement.

  - Re-measurements comprising:
    - actuarial gains and losses – changes in the net pensions liability that arise because events have not coincided with assumptions made at the last actuarial valuation or because the actuaries have updated their assumptions. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.
    - the return on plan assets – excluding amounts included in net interest on the net defined benefit liability. This charged to the Pensions Reserve as Other Comprehensive Income & Expenditure.

  - Contributions paid to the Kent County Council pension fund – cash paid as employer's contributions to the pension fund in settlement of liabilities; not accounted for as an expense.

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

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

Due to the adoption of the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits, there are new 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. These changes have been reflected in the restated 2012/13 Movement in Reserves Statement, Comprehensive Income & Expenditure Statement and the relevant notes to the accounts. A comparison of the original and restated statements is provided below. The net pension liability remains unchanged at 31st March 2013 so there is no need to restate the balance sheet.

MOVEMENT IN RESERVES STATEMENT

USABLE RESERVES

	As previously stated 2012/13 £000	As restated 2012/13 £000	Correction 2012/13 £000
Balance at 31st March 2012	**10,269**	**10,269**	**0**
(Surplus) or Deficit on Provision of Services	(705)	(1,505)	(800)
Total Comprehensive Income & Expenditure	**(705)**	**(1,505)**	**(800)**
Adjustments between Accounting Basis and Funding under Regulation	4,711	5,511	800
Increase or Decrease in Year	**4,006**	**4,006**	**0**
Balance at 31st March 2013	**14,275**	**14,275**	**0**

UNUSABLE RESERVES

	As previously stated 2012/13 £000	As restated 2012/13 £000	Correction 2012/13 £000
Balance at 31st March 2012	**39,078**	**39,078**	**0**
Other Comprehensive Income & Expenditure	(985)	(185)	800
Total Comprehensive Income & Expenditure	**(985)**	**(185)**	**800**
Adjustments between Accounting Basis and Funding under Regulation	(4,711)	(5,511)	(800)
Increase or Decrease in Year	**(5,696)**	**(5,696)**	**0**
Balance at 31st March 2013	**33,382**	**33,382**	**0**

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

	As previously stated 2012/13 £000	As restated 2012/13 £000	Correction 2012/13 £000
Non distributed costs	1,686	1,695	9
Cost of Services	**23,998**	**24,007**	**9**
Financing & Investment Income & Expenditure	814	1,605	791
(Surplus) or Deficit on Provision of Services	**705**	**1,505**	**800**
Remeasurements of the net defined benefit liability/(asset)	23,998	24,007	9
Other Comprehensive Income & Expenditure	**985**	**185**	**(800)**
Total Comprehensive Income & Expenditure	**1,690**	**1,690**	**0**

CASH FLOW STATEMENT

	As previously stated 2012/13 £000	As restated 2012/13 £000	Correction 2012/13 £000
Net (surplus)/deficit on the provision of services	705	1,505	800
Adjustments to net surplus or deficit on the provision of services for non-cash items	(2,041)	(2,841)	(800)
Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	6,547	6,547	0
Net cash flows from Operating Activities	**5,211**	**5,211**	**0**

Discretionary Benefits

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

h) EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

i) FINANCIAL INSTRUMENTS

Financial Liabilities:

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

The council does not currently have any financial liabilities held at fair value through profit or loss.

Financial Assets:

Financial assets are classified into two types:

- Loans & Receivables – assets that have fixed or determinable payments but are not quoted on an open market.

- Available-for-sale assets – assets that have a quoted market price and/or do not have fixed or determinable payments.

Loans & Receivables:

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

Available-for-sale assets:

Available-for-sale assets are recognised on the Balance Sheet when the Authority becomes a party to the contractual provisions of a financial instrument and are initially measured and carried at fair value.

Realised gains and losses in relation to investments are recognised within the Comprehensive Income and Expenditure Statement under interest and investment income. Unrealised gains and losses are recognised in the Balance Sheet under the appropriate investment heading offset by an adjustment to Available-for-Sale Financial Instruments Reserve.

j) GOVERNMENT GRANTS & CONTRIBUTIONS

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

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

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

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

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

Capital Grants Unapplied Reserve are transferred to the Capital Adjustment Account once they have been applied to fund capital expenditure.

k) HERITAGE ASSETS

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

The Council's Heritage Assets fall into the following main categories:

- Museum Exhibits
- War Memorials
- Statues, Sculptures and other works of art
- Listed Buildings

Heritage Assets are recognised and measured (including the treatment of revaluation gains and losses) 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.

The carrying amounts of Heritage Assets are reviewed where there is evidence of impairment e.g. where an item has suffered physical deterioration or breakage or where doubts arise as to its authenticity. Any impairment is recognised and measured in accordance with the Council's general policies on impairment.

l) INVESTMENT PROPERTIES

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

Investment properties are measured initially at cost and subsequently at fair value, based on the amount at which the asset could be exchanged between knowledgeable parties at arm's-length. Properties are not depreciated but are re-valued annually according to market conditions at the year-end. Gains and losses on revaluation are posted to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement. The same treatment is applied to gains and losses on disposal.

Rentals received in relation to investment properties are credited to the Financing and Investment Income line and result in a gain for the General Fund Balance. However, revaluation and disposal gains and losses are not permitted by statutory arrangements to have an impact on the General Fund Balance. The gains and losses are therefore reversed out of the General Fund Balance in the

Movement in Reserves Statement and posted to the Capital Adjustment Account and (for any sale proceeds greater than £10,000) the Capital Receipts Reserve.

m) LEASES

Lease 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.

The Council as Lessee

Finance Leases:

Property, Plant & Equipment held under finance leases is recognised on the Balance Sheet at the commencement of the lease at its fair value measured at the lease's inception (or the present value of the minimum lease payments, if lower). The asset recognised is matched by a liability for the obligation to pay the lessor. Initial direct costs of the Council are added to the carrying amount of the asset. Premiums paid on entry into a lease are applied to writing down the lease liability.

Lease payments are apportioned between:

- A charge for the acquisition of the interest in the property, plant or equipment - applied to write down the lease liability, and;

- A finance charge (debited to the Financing and Investment Income & Expenditure line in the Comprehensive Income & Expenditure Statement).

Property, Plant & Equipment recognised under finance leases is accounted for using the policies applied to such assets, subject to depreciation being charged over the lease term if this is shorter than the asset's estimated useful life (where ownership of the asset does not transfer to the Council at the end of the lease period)

The Council is not required to raise council tax to cover depreciation or revaluation and impairment losses arising on leased assets. Instead, a prudent annual contribution is made from revenue funds towards the deemed capital investment in accordance with statutory requirements. Depreciation and revaluation and impairment losses are therefore substituted by a revenue contribution in the General Fund balance, by way of an adjusting transaction with the Capital Adjustment Account in the Movement in Reserves Statement for the difference between the two.

Operating Leases:

Rentals paid under operating leases are charged to the Comprehensive Income & Expenditure Statement as an expense of the service benefitting from the use of the leased property, plant or equipment. Charges are made on a straight-line basis over the life of the lease, even if this does not match the pattern of the payments.

The Council as Lessor

Finance Leases:

The Council has no leases classified as finance leases.

Operating Leases:

Where the Council grants an operating lease over a property or an item of plant or equipment, the asset is retained in the Balance Sheet. Rental income is credited to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Credits are made on a straight-line basis over the life of the lease, even if this does not match the pattern of payments. Initial direct costs incurred in negotiating and arranging the lease are added to the carrying amount of the relevant asset and charged as an expense over the lease term on the same basis as rental income.

n) OVERHEADS & SUPPORT SERVICES

The costs of support services and overheads are charged to those services that benefit from the supply or service in accordance with the costing principles of the CIPFA Service Reporting Code of Practice 2013/14. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion with the benefits used, with the exception of:

- Corporate & Democratic Core – costs relating to the Council's status as a multi-functional democratic organisation.

- Non-distributed Costs – the cost of discretionary benefits awarded to employees retiring early.

These two cost categories are defined in the Service Expenditure Reporting Code of Practice 2013/14 and accounted for as separate headings in the Comprehensive Income & Expenditure Statement, as part of Net Expenditure on Continuing Services.

o) PROPERTY, PLANT & EQUIPMENT

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

Recognition

All expenditure on the acquisition, creation or enhancement of Property, Plant & Equipment is capitalised on an accruals basis in the accounts. Expenditure on non-current assets is capitalised, 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 direct to service revenue accounts.

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

- Where there is a balance of revaluation gains for the asset in the Revaluation Reserve, the carrying amount of the asset is written down against that balance (up to the amount of the accumulated gains)
- Where there is no balance in the Revaluation Reserve or an insufficient balance, the carrying amount of the asset is written down against the

relevant service line(s) in the Comprehensive Income & Expenditure Statement.

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

Component Accounting

International Accounting Standard 16 (IAS16) – Property, Plant and Equipment (PPE) contains the accounting requirements for the separate recognition, depreciation and de-recognition of parts of assets (referred to as componentisation). Componentisation shall be applied for depreciation purposes on enhancement, acquisition expenditure incurred and revaluations carried out from 1st April 2010.

Components that are required to be depreciated separately are those that have a cost that is significant in relation to the total cost of the asset, a different useful life and method of depreciation.
The policy adopted is as follows:

- Components of an asset will be separated where their value is significant in relation to the total value of the asset and where those components have different useful lives to the remainder of the asset for depreciation purposes.
- Where there is more than one significant component part of the same asset with the same useful life, such component parts will be group together for deprecation purposes.
- A component may be an individual item or similar items with similar useful lives grouped.
- Where a component is replaced or restored, the carrying amount of the old component will be derecognised and the new component added. Where the carrying value of the derecognised/replaced component is not known a best estimate will be determined by reference to the current cost.
- Only assets with a gross book value of £1.5 million and over will be considered for componentisation.
- Of those assets, for the purpose of determining a 'significant' component of an asset, components with a value of 25% in relation to the overall value of the asset or over £500,000 will be considered and then only if the component has a different useful life for depreciation purposes so as to result in depreciation charges that differ materially from the depreciation charges had the asset not been componentised.
- On componentisation any Revaluation Reserve balances will remain with the structure of the building. Any future revaluation gains and losses will be applied across components as appropriate.

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer. The useful lives range from 5 to 100 years.

- Vehicles, Plant, Furniture & Equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.

- Infrastructure - straight-line allocation over 20 years.

Where an item of Property, Plant & Equipment has major components whose cost is significant in relation to the total cost of the item, the components are depreciated separately. This is a straight-line allocation over the useful life of the component as estimated by a suitably qualified officer.

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.

Disposals & Non-current Assets Held for Sale

When it becomes probable that the carrying amount of an asset will be recovered principally through a sale transaction rather than through its continuing use, it is reclassified as an Asset Held for Sale. The asset is re-valued immediately before reclassification and then carried at the lower value of this amount and fair value less costs to sell. Where there is a subsequent decrease to fair value less costs to sell, the loss is posted to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement. Gains in fair value are recognised only up to the amount of any previous losses recognised in the Surplus or Deficit on Provision of Services. Depreciation is not charged on Assets Held for Sale.

If assets no longer meet the criteria to be classified as Assets Held for Sale, they are reclassified back to non-current assets and valued at the lower of their carrying amount before they were classified as held for sale; adjusted for depreciation, amortisation or revaluations that would have been recognised had they not been classified as Held for Sale, and their recoverable amount at the date of the decision not to sell.

Assets that are to be abandoned or scrapped are not classified as Assets Held for Sale.

When an asset is disposed of or decommissioned, the carrying amount of the asset in the Balance Sheet (whether Property, Plant & Equipment or Assets Held for Sale) is written off to the Other Operating Expenditure line in the Comprehensive Income & Expenditure Statement as part of the gain or loss on disposal. Receipts from disposals (if any) are credited to the same line in the Comprehensive Income & Expenditure Statement also as part of the gain or loss on disposal (i.e. netted off against the carrying value of the asset at the time of disposal). Any revaluation gains accumulated for the asset in the Revaluation Reserve are transferred to the Capital Adjustment Account.

Amounts received for a disposal in excess of £10,000 are categorised as capital receipts. These are credited to the Capital Receipts Reserve, and can then only be used for new capital investment. Receipts are appropriated to the Reserve from the General Fund Balance in the Movement in Reserves Statement.

The written-off value of disposals is not a charge against council tax, as the cost of non-current assets is fully provided for under separate arrangements for capital financing. Amounts are appropriated to the Capital Adjustment Account from the General Fund Balance in the Movement in Reserves Statement.

p) DEFERRED LIABILITIES

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

q) PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

Provisions are charged as an expense to the appropriate service line in the Comprehensive Income & Expenditure Statement in the year that the Council becomes aware of the obligation, and are measured at best estimate at the Balance Sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

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

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

A contingent liability arises where an event has taken place that gives the Council a possible obligation whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council. Contingent liabilities also arise in circumstances where a provision would otherwise be made but either it is not probable that an outflow of resources will be required or the amount of the obligation cannot be measured reliably.

A contingent asset arises where an event has taken place that gives the Council a possible asset whose existence will only be confirmed by the occurrence or otherwise of uncertain future events not wholly within the control of the Council.

Contingent liabilities and assets are not recognised in the Balance Sheet but disclosed in a note to the accounts.

r) RESERVES

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

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 properties.

s) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

t) VALUE ADDED TAX

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

u) MINIMUM REVENUE PROVISION

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

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

2 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- A comprehensive review of all property leases has been undertaken to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.

- A further review of service contracts was also undertaken in accordance with the requirements of IFRIC 4 to determine whether any of the contractual arrangements contain the substance of a finance lease. It was determined that the park & ride contract was classified as containing finance leases for the vehicles involved in the delivery of the service, and these have now been included with Property, Plant & Equipment on the Balance Sheet.

- A review of the new contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.

- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.

- A review of the Council's property portfolio has been undertaken to determine which assets should be classified as Investment Properties. These are those assets held solely to generate rental income or which are held for capital appreciation. A number of assets were classified under this heading, which is shown on the face of the Balance Sheet.

- A review was undertaken to identify what assets the Council owns could potentially be classified as Heritage Assets. Once a list had been established it was determined which of these met the criteria to be classified as a Heritage Asset, and a further judgement was required to determine the appropriate basis for valuation, or whether details of the asset should be disclosed in the note only.

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

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

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

The items in the Council's Balance Sheet at 31st March 2014 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Property, Plant & Equipment

Uncertainties:

Assets are depreciated over useful lives that are dependent upon assumptions about the level of repairs and maintenance that will be incurred in relation to individual assets. The current economic climate makes it uncertain that the Council will be able to sustain its current spending on repairs and maintenance, bringing into doubt the useful lives assigned to the assets.

Effect if actual results differ from assumptions:

If the useful life of assets is reduced depreciation increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.648m for every year that useful lives had to be reduced.

There is also a degree of uncertainty associated with land and buildings held at fair value which is detailed within note 17.

Pensions Liability

Uncertainties:

Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied.

Effect if actual results differ from assumptions:

The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.5% increase in the discount rate assumption would result in a decrease in the pension liability of £0.580m. However, the assumptions interact in complex ways. A one year increase in the mortality age rating assumption would result in an increase to the pension liability of £7.230m.

Arrears

Uncertainties:

At 31 March 2014 the Council had a balance of sundry debtors for £11.065m. A review of significant balances suggested that a provision of doubtful debts for £2.439m was appropriate. However, in the current economic climate it is not certain that such an allowance would be sufficient.

Effect if actual results differ from assumptions:

If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.4m to set aside as an allowance.

Non-Domestic Rates Appeals

Following the localisation of non-domestic rates which took effect from 1 April 2013, the Collection Fund became liable for potential losses arising from appeals against the rateable value of business premises. A provision of £2.878m has therefore been created to recognise current and backdated appeals. The Council's share of the provision of £1.151m 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.

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

The Code of Practice requires that the Authority discloses information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted. This requirement applies to accounting standards that come into effect for financial years commencing on or before 1 January of the financial year in question (i.e. on or before 1 January 2014 for 2013/14). Disclosure requirements are expected to be included in a subsequent edition of the Code.

- IFRS 13 Fair Value Measurement (May 2011)
- IFRS 10 Consolidated Financial Statements
- IFRS 11 Joint Arrangements
- IFRS 12 Disclosure of Interests in Other Entities
- IAS 27 Separate Financial Statements (as amended in 2011)
- IAS 28 Investments in Associates and Joint Ventures (as amended in 2011)
- IAS 32 Financial Instruments: Presentation
- Annual Improvements to IFRS 2009-2011 Cycle.

It is anticipated that details of the disclosures required for most of these changes will be included in the Code of Practice issued for 2014/15.

5 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2012/13 has been restated to reflect the adoption of the 2011 amendments to International Accounting (IAS) 19 Employee Benefits.

General Fund Balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**2012/13 (Restated) Movement in Unusable Reserves £000**		**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**2013/14 Movement in Unusable Reserves £000**
				Adjustments primarily involving the Capital Adjustment Account				
				Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:				
2,588			**2,588**	Charges for depreciation and impairment of non-current assets	2,441			**2,441**
17			**17**	Revaluation (gains)/losses on Property, Plant & Equipment	378			**378**
(98)			**(98)**	Movement in the market value of Investment Properties	(161)			**(161)**
251			**251**	Amortisation of intangible assets	280			**280**
(2,384)			**(2,384)**	Capital grants and contributions applied	(1,549)			**(1,549)**
3,328			**3,328**	Revenue expenditure funded from capital expenditure under statute	3,333			**3,333**
277			**277**	Write-off Non-enhancing Capital Expenditure	104			**104**
194			**194**	Asset Register Adjustments				**0**
(4,098)			**(4,098)**	Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1,460			**1,460**
				Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement				
(948)			**(948)**	Statutory provision for the financing of capital investment	(578)			**(578)**
			0	Capital expenditure charged against the General Fund balance	(1,697)			**(1,697)**
				Adjustments primarily involving the Capital Grants Unapplied Account				
(539)		539	**0**	Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(115)		115	**0**
				Adjustments primarily involving the Capital Receipts Reserve				
3,608	3,612		**7,220**	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(1,651)	1,651		**0**
	(2,624)		**(2,624)**	Use of the Capital Receipts Reserve to finance new capital expenditure		(2,507)		**(2,507)**
				Adjustments primarily involving the Pensions Reserve				
4,488			**4,488**	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	4,936			**4,936**
(2,756)			**(2,756)**	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,019)			**(3,019)**
				Adjustments primarily involving the Collection Fund Adjustment Account				
			0	Amount by which council tax income credited to the Comprehensive Income & Expenditure Statement is different from council tax income calculated for the year in accordance with statutory requirements	486			**486**
				Adjustments primarily involving the Accumulated Absences Account				
56			**56**	Amount by which officer remuneration charged to the Comprehensive Income & Expenditure Statement on an accruals basis is different from remuneration chargeable in the year in accordance with statutory requirements	42			**42**
3,984	**988**	**539**	**5,511**	**Total Adjustments**	**4,690**	**(856)**	**115**	**3,950**

6 - MATERIAL ITEMS OF INCOME & EXPENSE

Within the Comprehensive Income & Expenditure Statement the only material items are those required under the IFRS Code of Practice to be charged to revenue in the first instance. However, they are subsequently reversed out through the Movement in Reserves Statement to ensure that they do not impact upon the bottom line of the General Fund. These movements are detailed in note 5 above.

7 - OTHER OPERATING EXPENDITURE

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

	2012/13 £000	2013/14 £000
Parish Council precepts	1,116	1,188
Levies	105	105
Gains/losses on the disposal of non-current assets	(490)	(192)
	731	**1,101**

8 - FINANCING AND INVESTMENT INCOME & EXPENDITURE

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

	2012/13 (Restated) £000	2013/14 £000
Interest payable and similar charges	384	235
Net Interest on the Net Defined Benefit Liability	2,080	2,044
Interest receivable and similar income	(402)	(231)
Income & Expenditure in relation to investment properties and changes in their fair value	(457)	180
	1,605	**2,228**

2012/13 has been restated to reflect the adoption of the 2011 amendments to International Accounting (IAS) 19 Employee Benefits.

9 - TAXATION & NON-SPECIFIC GRANT INCOMES

This note consolidates all the grants and contributions receivable that cannot be identified to particular service expenditure. However, all capital grants and contributions are shown in this note, whether they are service specific or not.

	2012/13 £000	2013/14 £000
Council tax income	14,748	13,955
Revenue Support Grant	454	4,281
Income from Retained Business Rates	5,470	21,244
Tarrif Payable	0	(18,760)
Non-ringfenced Government Grants	2,098	3,971
Capital grants & contributions	2,069	183
	24,838	**24,874**

10 - AMOUNTS REPORTED FOR RESOURCE ALLOCATION DECISIONS

The analysis of income and expenditure by service on the face of the Comprehensive Income & Expenditure Statement is that specified by the Service Reporting Code of Practice. However, decisions about resource allocation are taken by the Council’s Cabinet on the basis of budget reports analysed across Cabinet Member portfolios.

The income and expenditure of the individual Member portfolios recorded in budget reports is as follows:

Portfolio Holder Income & Expenditure 2013/14	**Leader of the Council £000**	**Community & Leisure £000**	**Corporate Services £000**	**Economic & Commercial Development £000**	**Environment £000**	**Planning, Transport & Development £000**	**Total £000**
Fees, charges & other service income	(165)	(1,384)	(2,364)	(985)	(3,292)	(5,253)	**(13,443)**
Government Grants	(264)	(121)	(46,943)	0	0	0	**(47,328)**
Total income	(429)	(1,505)	(49,307)	(985)	(3,292)	(5,253)	**(60,771)**
Employee expenses	526	1,404	10,396	1,231	3,754	1,881	**19,192**
Other service expenses	421	6,459	52,238	3,456	7,964	3,389	**73,927**
Support service recharges	447	738	(9,198)	456	(2,473)	1,061	**(8,969)**
Total expenditure	1,394	8,601	53,436	5,143	9,245	6,331	**84,150**
Net Expenditure	**965**	**7,096**	**4,129**	**4,158**	**5,953**	**1,078**	**23,379**

Portfolio Holder Income & Expenditure 2012/13 (Restated)	**Leader of the Council £000**	**Community & Leisure £000**	**Corporate Services £000**	**Economic Development & Transport £000**	**Environment £000**		**Total £000**
Fees, charges & other service income	(83)	(1,262)	(1,676)	(3,646)	(5,787)		**(12,454)**
Government Grants	(66)	(447)	(56,138)	0			**(56,651)**
Total income	(149)	(1,709)	(57,814)	(3,646)	(5,787)		**(69,105)**
Employee expenses	794	1,584	7,496	2,053	3,841		**15,768**
Other service expenses	753	7,068	61,638	5,177	9,568		**84,204**
Support service recharges	713	346	(7,263)	1,329	(1,985)		**(6,860)**
Total expenditure	2,260	8,998	61,871	8,559	11,424		**93,112**
Net Expenditure	**2,111**	**7,289**	**4,057**	**4,913**	**5,637**		**24,007**

At the start of 2013/14 there was a Cabinet restructure with some changes of responsibility and the addition of an Environment portfolio.

Reconciliation of Portfolio Holder Income & Expenditure to Cost of Services in the Comprehensive Income & Expenditure Statement

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

	2012/13 (Restated) £000	**2013/14 £000**
Net Expenditure in Portfolio Analysis	24,007	23,379
Amounts reported below the line on the Net Cost of Services	0	0
Cost of services in Comprehensive Income & Expenditure Statement	**24,007**	**23,379**

Reconciliation to Subjective Analysis

This reconciliation shows how the figures in the analysis of portfolio holder income and expenditure relate to a subjective analysis of the Surplus or Deficit on the Provision of Services included in the Comprehensive Income & Expenditure Statement.

2013/14	Portfolio holder analysis £000	Below the line on Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(13,443)		(13,443)		**(13,443)**
Interest & investment income			0	(231)	**(231)**
Income from council tax			0	(13,955)	**(13,955)**
Government grants and contributions	(47,328)		(47,328)	(10,917)	**(58,245)**
Total Income	**(60,771)**	**0**	**(60,771)**	**(25,104)**	**(85,876)**
Employee expenses	19,192		19,192	2,044	**21,236**
Other service expenses	73,927		73,927	180	**74,107**
Support Service recharges	(8,969)		(8,969)		**(8,969)**
Depreciation, amortisation and impairment			0		**0**
Interest Payments			0	235	**235**
Precepts & Levies			0	1,293	**1,293**
Payments to Housing Capital Receipts Pool			0		**0**
Gain or Loss on Disposal of Fixed Assets			0	(192)	**(192)**
Total Expenditure	**84,150**	**0**	**84,150**	**3,560**	**87,709**
Surplus or deficit on the provision of services	**23,379**	**0**	**23,379**	**(21,543)**	**1,833**

2012/13 comparative figures (Restated)	Portfolio holder analysis £000	Below the line on Net Cost of Services £000	Net Cost of Services £000	Corporate Amounts £000	Total £000
Fees, charges & other service income	(12,454)		(12,454)		**(12,454)**
Interest & investment income			0	(402)	**(402)**
Income from council tax			0	(14,748)	**(14,748)**
Government grants and contributions	(56,660)		(56,660)	(10,090)	**(66,750)**
Total Income	**(69,114)**	**0**	**(69,114)**	**(25,240)**	**(94,354)**
Employee expenses	15,768		15,768	2,089	**17,857**
Other service expenses	84,204		84,204	(457)	**83,747**
Support Service recharges	(6,860)		(6,860)		**(6,860)**
Depreciation, amortisation and impairment			0		**0**
Interest Payments			0	384	**384**
Precepts & Levies			0	1,220	**1,220**
Payments to Housing Capital Receipts Pool			0		**0**
Gain or Loss on Disposal of Fixed Assets			0	(490)	**(490)**
Total Expenditure	**93,112**	**0**	**93,112**	**2,746**	**95,858**
Surplus or deficit on the provision of services	**23,998**	**0**	**23,998**	**(22,493)**	**1,505**

11 - TRADING OPERATIONS

The Council has established 5 trading units where the service manager is required to operate in a commercial environment and balance their budget by generating income from other parts of the Council or other organisations. Details of those units are as follows:

Operation	2012/13 (Surplus)/ Deficit £000	2013/14 Income £000	Expenditure £000	(Surplus)/ Deficit £000
Market	**60**	(367)	380	**13**
Parkwood Industrial Estate	**(365)**	(393)	31	**(362)**
Pay & Display Car Parking	**(932)**	(1,438)	438	**(1,000)**
On-Street Car Parking	**(191)**	(672)	501	**(171)**
Direct Services	**0**	(1,489)	1,469	**(20)**
Net surplus/(Deficit)	**(1,428)**	**(4,359)**	**2,820**	**(1,540)**

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2013/14 totalled £386,569. (£384,617 in 2012/13)

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

http://www.maidstone.gov.uk/council/councillors/councillor-allowances

13 – OFFICERS REMUNERATION

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

2013/14	Salary (including Fees & Allowances) £000	Benefits in Kind (e.g.Car Allowance) £000	Total Remuneration excluding Pension Contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Executive	112	17	128	15	**143**
Director of Environment & Shared Services	98	11	109	13	**122**
Director of Regeneration & Communities	98	8	106	13	**119**
Head of Mid Kent Human Resources	78	5	83	10	**93**
Head of Audit & Risk Strategy	69	2	72	10	**81**
Head of Legal Services	66	4	70	9	**79**
Head of Planning & Development	64	7	70	8	**79**
Head of Finance & Resources	66	3	70	9	**78**
Head of Policy & Communications	61	6	66	8	**74**

2012/13	Salary (including Fees & Allowances) £000	Benefits in Kind (e.g.Car Allowance) £000	Total Remuneration excluding Pension Contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Executive	111	13	124	15	**139**
Director of Change, Planning & the Environment	96	4	100	13	**113**
Director of Regeneration & Communities	96	4	100	13	**113**
Head of Human Resources	80	9	89	11	**100**
Head of Audit & Risk Strategy	67	7	74	9	**84**
Head of Communications	66	7	73	9	**82**
Head of Legal Services	66	4	70	9	**79**
Overview & Scrutiny Manager	57	6	63	8	**71**

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

There was a senior management restructure during 2013/14 which resulted in some changes to job titles and line management responsibilities. The Director of Change, Planning & the Environment became the Director of Environment & Shared Services and the Overview & Scrutiny Manager became the Head of Policy & Communications.

The Head of Mid Kent Human Resources and the Head of Audit & Risk Strategy both manage shared services for which Maidstone receives income from the partner authorities to cover the costs of these posts.

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

Remuneration Band	2012/13 No.of employees	2013/14 No.of employees
£50,000 - £54,999	4	2
£55,000 - £59,999	2	3
£60,000 - £64,999	4	2
£65,000 - £69,999	2	2
£70,000 - £74,999	1	2
£75,000 - £79,999	1	1
£80,000 - £84,999	0	2
£85,000 - £89,999	0	0
£90,000 - £94,999	1	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2012/13	013/14	012/13	013/14	012/13	013/14	012/13	013/14
							£000	£000
£0 - £20,000	0	0	9	11	9	11	42	83
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	0	1	0	1	0	45
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	1	0	1	0	119
Total	**0**	**0**	**9**	**13**	**9**	**13**	**42**	**247**

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.

	2012/13 £000	2013/14 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	83	71
Fees payable for the certification of grant claims and returns during the year	21	18
Total	**104**	**89**

15 - GRANT INCOME

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2013/14:

Credited to Taxation & Non Specific Grant Income	**2012/13 £000**	**2013/14 £000**
Council tax income	14,748	13,955
Revenue Support Grant	454	4,281
Income from Retained Business Rates	5,470	21,244
Tarrif Payable	0	(18,760)
Non-ringfenced Government Grants	2,098	3,971
Capital grants & contributions	2,068	183
Total	**24,838**	**24,874**
Credited to Services		
Housing Benefit Subsidy	44,573	46,219
Council Tax Benefits	10,727	0
Non-Domestic Rates - Cost of Collection	207	207
Council Tax Administration	0	382
New Legislation	0	245
Homelessness Prevention	182	0
Mortgage Rescue Programme	173	0
New Homes Bonus	85	0
Flood Relief	0	120
Other Grants	713	156
Total	**56,660**	**47,329**

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 repaid. The balances at the year-end are as follows:

Capital Grants Receipts in Advance	31st March 2013 £000	31st March 2014 £000
Section 106 Contributions	1,531	1,313
Other Contributions	53	53
Total	**1,584**	**1,366**

16 - RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework, within which the Council operates, provides the majority of its funding in the form of grants and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 10 on reporting for resources allocation decisions.

Members and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2013/14 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. Two Members made declarations of significance - one is the Chairman of a Parish Council that received Parish Services Scheme funding of £4,154 from the Council, and another is the Managing Director of a stonemasons company that had transactions to the value of £28,000 with the Council. One Senior Officer also disclosed in interest as a board member of two groups, one which receives a grant from the Council, and another which makes rental payments to the Council.

17 - PROPERTY, PLANT & EQUIPMENT

Movements on Balances

Movements in 2013/14	Infrastructure Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Community Assets £000	Assets Under Construction £000	Total Property, Plant & Equipment £000
Cost or Valuations								
At 1st April 2013	5,933	46,782	10,194	4,039	4,350	3,098	2	**74,398**
Additions	20	427	287	113	13	38	1,259	**2,157**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(605)	0	0	0	0	0	**(605)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(378)	0	0	0	0	0	**(378)**
Assets Reclassified								**0**
Transfers between categories	(1,581)	48	1,555	0	0	(22)	0	**0**
Other movements in cost or valuation	(375)	(1,162)	(38)	(2,914)	(80)	(34)	0	**(4,603)**
At 31st March 2014	3,996	45,112	11,999	1,238	4,283	3,080	1,261	**70,970**
Accumulated Depreciation & Impairment								
At 1st April 2013	(3,426)	(2,136)	(2,568)	(3,644)	(1,807)	0	0	**(13,581)**
Depreciation charge	(202)	(1,044)	(747)	(187)	(262)	0	0	**(2,442)**
Depreciation written out to the Revaluation Reserve	0	1,155	0	0	0	0	0	**1,155**
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**
Transfers between categories	980	(26)	(954)	0	0	0	0	**0**
Other movements in cost or valuation	213	457	120	2,903	20	0	0	**3,713**
At 31st March 2014	(2,435)	(1,594)	(4,149)	(928)	(2,049)	0	0	**(11,155)**
Net Book Value								
At 31st March 2014	**1,562**	**43,519**	**7,850**	**310**	**2,234**	**3,080**	**1,261**	**59,815**
At 31st March 2013	2,507	44,645	7,626	395	2,542	3,098	2	**60,815**

Comparative Movements in 2012/13	**Infrastructure Assets £000**	**Land & Buildings £000**	**Plant, Machinery & Equipment £000**	**Vehicles £000**	**IT & Office Equipment £000**	**Community Assets £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
Cost or Valuations								
At 1st April 2012	5,868	47,005	10,181	4,039	4,337	2,110	30	**73,570**
Additions	65	264	51		(12)	946	27	**1,341**
Revaluation increases/(decreases) recognised in the Revaluation Reserve		637						**637**
Revaluation increases/(decreases) recognised in Surplus/Deficit on the Provision of Services		(46)						**(46)**
Assets Reclassified (to)/from Assets Held for Sale		(140)				140		**0**
Other movements in cost or valuation		(938)	(38)		25	(98)	(55)	**(1,104)**
At 31st March 2013	5,933	46,782	10,194	4,039	4,350	3,098	2	**74,398**
Accumulated Depreciation & Impairment								
At 1st April 2012	(3,144)	(1,724)	(2,027)	(3,047)	(1,526)			**(11,468)**
Depreciation charge	(282)	(886)	(541)	(597)	(282)			**(2,588)**
Depreciation written out to the Revaluation Reserve		444						**444**
Depreciation written out to the Surplus/Deficit on the Provision of Services		29						**29**
At 31st March 2013	(3,426)	(2,137)	(2,568)	(3,644)	(1,808)	0	0	**(13,583)**
Net Book Value								
At 31st March 2013	**2,507**	**44,645**	**7,626**	**395**	**2,542**	**3,098**	**2**	**60,815**

Analysis of Land & Buildings Movements 2013/14	**Car Parks** £000	**Cemetery & Crematorium** £000	**Depots, Workshops & Toolsheds** £000	**Halls** £000	**Land** £000	**Leisure Centres & Pools** £000	**Markets** £000	**Museums & Galleries** £000	**Parks & Open Spaces** £000	**Public Conveniences** £000	**Theatres** £000	**Town Halls** £000	**Total Land & Buildings** £000
Cost or Valuations													
At 1st April 2013	10,473	1,572	1,695	1,488	137	6,854	1,325	14,903	543	1,769	4,630	1,800	**47,190**
Additions								150		15	118	143	**427**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	596			1,067			(275)	(1,092)			(508)	(801)	**(1,012)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(90)		34	286	(62)			(375)			(163)	(9)	**(378)**
Assets Reclassified													**0**
Other movements in cost or valuation	(1,064)			22	8					(79)			**(1,114)**
At 31st March 2014	9,915	1,572	1,729	2,864	83	6,854	1,050	13,586	543	1,705	4,078	1,133	**45,113**
Accumulated Depreciation & Impairment													
At 1st April 2013	(509)	(92)	(35)	(249)		(126)	(116)	(284)	(8)	(284)	(172)	(262)	**(2,136)**
Depreciation charge	(44)	(89)	(22)	(126)		(213)	(21)	(257)	(1)	(149)	(84)	(39)	**(1,044)**
Depreciation written out to the Revaluation Reserve	6		67	248			115	284			172	262	**1,155**
Depreciation written out to the Surplus/Deficit on the Provision of Services													**0**
Other movements in cost or valuation	366			(25)						90			**431**
At 31st March 2014	(181)	(181)	11	(152)	0	(339)	(22)	(257)	(9)	(342)	(84)	(39)	**(1,594)**
Net Book Value													
At 31st March 2014	**9,734**	**1,391**	**1,740**	**2,712**	**83**	**6,515**	**1,028**	**13,330**	**534**	**1,363**	**3,993**	**1,094**	**43,518**
At 31st March 2013	9,964	1,480	1,661	1,239	137	6,728	1,209	14,619	535	1,485	4,458	1,538	**45,054**

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

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

Depreciation

The following useful lives and depreciation rates have been used in the calculation of depreciation:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer.

- Vehicles, Plant, Furniture, IT & Office Equipment – straight-line allocation over the useful life of the asset as estimated by a suitably qualified officer.

- Infrastructure - straight-line allocation over 20 years.

Capital Commitments

The Council were not contractually committed to any capital projects as at 31st March 2014.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out externally by Harrison's Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 1 April 2013 in accordance with the requirements of the Code of Practice, and are considered to be materially accurate at the Balance Sheet date.

Assets which were not revalued during 2013-14 were also considered with reference to BCIS indices, and are considered on this basis to be materially fairly stated as at 31 March 2014.

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

	Infrastructure Assets	Community Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Assets Under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000
Carried at historical cost	1,562	3,080	1,130	7,850	310	2,234	1,261	**17,426**
Valued at fair value as at:								
31st March 2010			8,757					**8,757**
31st March 2011			397					**397**
31st March 2012			6,936					**6,936**
31st March 2013			2,009					**2,009**
31st March 2014			23,906					**23,906**
Total Cost or Valuation	**1,562**	**3,080**	**43,135**	**7,850**	**310**	**2,234**	**1,261**	**59,431**

18 - INVESTMENT PROPERTIES

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

	2012/13 £000	2013/14 £000
Balance at start of the year	12,469	12,567
Additions:		
Transfers from Property, Plant & Equipment		
Disposals		
Net gains/losses from fair value adjustments	98	161
Other changes		(2)
Balance at end of year	**12,567**	**12,727**

19 – HERITAGE ASSETS: 5 YEAR SUMMARY OF TRANSACTIONS

	2009/10 £000	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £001
Balance Brought Forward	10,160	10,245	10,279	10,279	10,334
Acquisitions	84	34		55	29
Disposals					
Balance Carried Forward	**10,245**	**10,279**	**10,279**	**10,334**	**10,363**

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

Cost or Valuation	Museum Exhibits £000	War Memorials £000	Statues & Sculptures £000	Other Items £000	Total Assets £000
1st April 2013	9,090	450	515	279	10,334
Additions					0
Reclassifications				29	29
31st March 2014	**9,090**	**450**	**515**	**308**	**10,363**
1st April 2012	9,090	450	460	279	10,279
Additions			55		55
Reclassifications					0
31st March 2013	**9,090**	**450**	**515**	**279**	**10,334**

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:

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

Maidstone Museum has recently been the subject of a major refurbishment, including the creation of a new extension to the Museum, which has recently opened. This has extended the amount of the collection that is on view to the public, and has also improved the storage facilities for the remainder of the collection.

Included within the total value of £9.090m are a number of significant items:

- A copy of a Lambeth Bible valued at £1m
- A number of Japanese woodblock prints valued in total at £1.2m
- A number of Japanese Inro exhibits valued in total at £0.6m

The total of £9.090m represents those items that have formally been valued as at 1st April 2011 for insurance purposes by a number of reputable auction houses. The value of the total collection is likely to be far higher, and is valued for insurance purposes at £17.5m (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.

The museums' collections are administered with reference to an Acquisition and Disposal policy approved by the museums' governing body (the Council). This is a requirement of the Museums, Libraries & Archives Council's (MLA) 'Accreditation' Scheme (now operated by Arts Council England). Its purpose is to review the present state and use of the collections and define how artefacts and specimens enter and leave the collections. It ensures material is accepted according to a recognized strategy, serves as a reference document to guide curatorial decisions and encourages public confidence in the Museum as a suitable repository. It covers the recording of artefacts and specimens and through its use determines how widely the collections can be accessed by the general public (e.g. digitisation of the records will enable remote access to the collections via the Internet).

War Memorials

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

Statues and Sculptures

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

Other Items

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

Listed Buildings and Other Heritage Assets

The Old College complex, comprising the Gateway, the Masters Tower and the Quarterdeck has been classified as a heritage asset. However due to the age and nature of the buildings it would not be possible to ascertain a true and 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, and the following assets:

- Finial to the Commons Debating Chamber in Brenchley Gardens
- Daphne & Apollo statue in Brenchley Gardens
- Clare Park Drinking Fountain
- Penenden Heath Clock Tower
- South Park Fountain

- Queen's Monument in Jubilee Square
- The Cannon in the Lower High Street
- Dove of Peace sculpture in the Archbishop's Palace Gardens

21 - FINANCIAL INSTRUMENTS

Categories of Financial Instruments

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

	Long-term 31st March 2013 £000	31st March 2014 £000	Short-Term 31st March 2013 £000	31st March 2014 £000
Investments				
Loans & receivables			13,520	12,559
Available-for-sale financial assets	11	11		8,000
	11	11	13,520	20,559
Bank Overdraft			77	
Debtors				
Loans & receivables	30	26	5,453	6,278
Creditors				
Financial liabilities at amortised cost			5,174	4,327
Other Long Term Liabilities				
Finance Lease Liabilities	2,124	1,671	728	604

On the face of the Balance Sheet Loans & Receivables are split in Current Assets between Short Term Investments and Cash & Cash Equivalents.

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

Income & Expense

	Long-Term 31st March 2013 £000	31st March 2014 £000	Short Term 31st March 2013 £000	31st March 2014 £000
Income:				
Loans & Receivables			389	180
Available-for-sale Financial Assets				51
Other Interest			2	
Total	**0**	**0**	**391**	**231**

Fair Value of Assets and Liabilities

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

22 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Head of Finance & Resources and the Treasury Management Accountant, under policies approved by the Council on 27th February 2013 in the Annual Treasury Management Strategy, which can be viewed on the Council's website – http://www.maidstone.gov.uk. A summary of the main points of the 2013/14 Treasury Management Strategy is also shown below.

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

Treasury Management Strategy 2013/14

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

- Invest funds short term (up to 1 year) so that funds are available to invest of rates increase.
- Up to £3m being invested for 1 year if the funds become available and the rates are favourable.
- Use of enhanced cash funds which are an extension of the current AAA rated money market funds.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. There are limits based on credit ratings set on the amount and length of time deposits can be made with individual banks and financial institutions, and these are set out in the Annual Treasury Management Strategy. These ratings are Supplied by Capita Asset Services (the Council's Treasury Advisors), who look at ratings from all three credit rating agencies, Fitch, Moodys and Standard and Poors. However, it does not rely solely on the current credit ratings of counterparties but also uses the following as overlays:

- credit watches and credit outlooks from credit rating agencies
- CDS spreads to give early warning of likely changes in credit ratings
- sovereign ratings to select counterparties from only the most creditworthy countries

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

As at 31st March 2014 the investments were held with the following institutions:

	31st March 2013 £000	31st March 2014 £000
AAA rated Institutions	0	8,000
AA rated Institutions	0	0
A rated Institutions	11,520	11,175
Unrated Building Societies	2,000	0
UK Government	11	11
Total	**13,531**	**19,186**

Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. Borrowing is generally only undertaken on a short-term basis for cash flow purposes, and there is also an overdraft facility of £0.5m available with Lloyds Bank. However provision has also been made with the current Treasury Management Strategy to have an authorised debt limit of £10m 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 provide stability of maturities and returns in relation to the longer term cash flow needs.

Market Risk – Interest Rate Risk

As the Council is currently debt-free its only risk is in relation to exposure to interest rate movements in its investments. This exposure is managed by use of Prudential Indicators, which set limits on the proportion of investments held at fixed and variable rates. These indicators are monitored on a daily basis. The main exposure to risk in this area is the use of investment Call Accounts, Enhanced Cash Funds and Money Market Funds which are linked to Base Rate. However the risk is considered to be small as these accounts are generally only used for the short-term investment of funds for cash flow purposes, and funds can be withdrawn on a daily basis. The risk exposure is summarised in the table below.

	31st March 2013 £000	31st March 2014 £000
Call Accounts/Money Market Funds	5,520	6,175
Receivables	8,000	5,000
Available-for-Sale Financial Assets	11	8,011
Total	**13,531**	**19,186**

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

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

Current income for the year on the Council's investments was £0.231m. If interest rates had been 1% higher than the interest receivable upon its variable rate investments would have been £300,000 more. If the rates were 1% less this would be reversed.

Foreign Exchange Risk

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

23 - ASSETS HELD FOR SALE

Assets classified under this heading would normally be expected to be disposed of within a year, as per the Code of Practice for Local Authority Accounting in the United Kingdom.

During 2013/14 the former Council offices at 26 Tonbridge Road were disposed of.

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	**3,475**	**550**
Revaluation gains		25
Assets sold	(2,925)	(575)
Balance outstanding at year-end	**550**	**0**

24 – DEBTORS

Short Term

	2012/13 £000	2013/14 £000
Central government bodies	4,181	282
Other local authorities	286	51
Other entities and individuals	7,088	9,068
Total	**11,555**	**9,402**

The movement in the balances for Central Government bodies is a reflection of changes to amounts due from the Government in respect of Housing Benefits.

Other entities and individuals are broken down as follows:

	2012/13 £000	2013/14 £000
Council Tax payers	651	799
Business Rate payers		1,183
Capital debtors	603	482
General debtors	4,221	5,055
Payments in Advance	984	808
Other miscellaneous amounts	629	741
Total	**7,088**	**9,068**

25 - CASH & CASH EQUIVALENTS

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

	2012/13 £000	2013/14 £000
Cash held by the Council	9	12
Bank current accounts	(77)	1,290
Short-term deposits	6,520	14,228
Total	**6,452**	**15,530**

Cash & Cash Equivalents are split on the face of the Balance Sheet between Current Assets and Current Liabilities.

26 – CREDITORS

Short Term

	2012/13 £000	2013/14 £000
Central government bodies	762	1,192
Other local authorities	54	1,029
Other entities and individuals	6,066	6,124
Total	**6,882**	**8,344**

Other entities and individuals are broken down as follows:

	2012/13 £000	2013/14 £000
General creditors	3,876	2,781
Capital creditors	575	272
Council tax payers	115	376
Business Rate payers		241
Receipts in advance	776	1,180
Deposits	572	1,133
Retentions	152	141
Total	**6,066**	**6,124**

27 - PROVISIONS

PROVISION FOR BAD DEBTS

	2012/13 £000	2013/14 £000
Excess Charges Provision	420	488
Sundry Bad Debts Provision	1,561	2,439
Total	**1,981**	**2,927**

PROVISION FOR BUSINESS RATES APPEALS

	2012/13 £000	2013/14 £000
Business Rates Appeals - Current		292
Business Rates Appeals - Backdated		859
Total	**0**	**1,151**

A new system for the distribution of business rates was introduced from April 2013. The Council now is required to account for the effect of appeals which were previously borne by the national pool. The balance represents the Council's 40% share of the estimated current and backdated appeals.

28 - TRUST FUNDS

The Council is required to set out details of the nature and amount of trust funds where it acts as sole trustee, the only one of which is the Cobtree Estate Trust. The object of this trust is to hold Cobtree Manor and Cobtree Manor Estate for the benefit of the inhabitants of Maidstone and other members of the general public.

Gross expenditure in 2013/14 totalled £643,438 (£511,857 in 2012/13). Gross income in 2013/14 totalled £810,896 (£340,795 in 2012/13). The increased expenditure is due to the continued development of the Manor Park in line with the master plan that has been developed, and the increased income is mainly the funding for the master plan.

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

The assets and liabilities of the Trust as at 31st March 2014 may be summarised as follows:

	2012/13 £000	2013/14 £000
Fixed Assets:		
Cobtree Golf Course	500	1,152
Cobtree Manor Park	936	635
Investments	1,527	1,164
	2,963	**2,951**
Current Assets	231	320
Current Liabilities	302	215
Total assets less current liabilities	**2,892**	**3,056**
Total Charitable Funds	**2,892**	**3,056**

29 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

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

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

The value of the works carried out to date (£4.073m) has been reflected in the non-current assets total, with a matching entry shown as a deferred liability (less repayments made in 2013/14) to reflect the balance due on the loan for the works done to date.

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

Payments

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	2,955	2,552
Repayment of principal	(403)	(428)
Balance outstanding at end of year	**2,552**	**2,124**

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.

30 - LEASE TYPE ARRANGEMENTS

Under the terms of IFRIC 4 (Determining Whether an Arrangement Contains a Lease) the Council is required to identify any contractual arrangements that may include an element that could be classified as a finance lease. It has been established that the vehicles used in the provision of the park & ride contract need to be classified under this arrangement, and therefore the value of the assets used are now reflected within the Property, Plant & Equipment heading on the Balance Sheet, as finance leases need to be shown in this way.

This note previously included waste collection vehicles, but that contract has now finished, and it has been established that the new contract does not fall under the terms of IFRIC 4.

The cost of services within the Comprehensive Income & Expenditure Statement is charged with a sum that reflects the value of the element of the contract that relates to the vehicles, along with depreciation and financing charges. These sums are all reversed out in the Movement in Reserves Statement to the Capital Adjustment Account to ensure that there is no impact upon Council Tax.

	2012/13 £000	2013/14 £000
Balance outstanding at start of year	845	301
Repayment of principal	(544)	(150)
Balance outstanding at end of year	**301**	**151**

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.

31 – CAPITAL RECEIPTS RESERVE

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

	31st March 2013 £000	31st March 2014 £000
Balance at 1st April	**55**	**1,043**
Capital Receipts Received	3,612	1,657
Capital Receipts Applied	(2,624)	(2,507)
Balance at 31st March	**1,043**	**193**

32 - UNUSABLE RESERVES

	31st March 2013 £000	31st March 2014 £000
Revaluation Reserve	25,018	25,328
Capital Adjustment Account	57,460	56,220
Deferred Capital Receipts Reserve	29	25
Pensions Reserve	(48,985)	(56,477)
Collection Fund Adjustment Account		(486)
Accumulated Absences Account	(140)	(180)
Total Unusable Reserves	**33,382**	**24,430**

a) Revaluation Reserve

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

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

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

	31st March 2013 £000	31st March 2014 £000
Balance at 1st April	**26,066**	**25,018**
Upward revaluation of assets	1,081	3,296
Downward revaluation of assets		(2,720)
Disposals	(1,360)	(275)
Prior Year Adjustments	(580)	
Difference between fair value depreciation and historical cost depreciation	(189)	9
Balance at 31st March	**25,018**	**25,328**

b) Capital Adjustment Account

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

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

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

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

	31st March 2013 £000	31st March 2014 £000
Balance at 1st April	**59,629**	**57,460**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(2,588)	(2,441)
Amortisation of intangible assets	(251)	(280)
Prior Year Adjustments	(194)	
Revaluation Losses on Property, Plant & Equipment	(17)	(378)
Revenue expenditure funded from capital under statute	(3,328)	(3,333)
Write-off of non-enhancing capital expenditure	(277)	(104)
Amounts of non-current assets written off on disposal or sale as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	(3,117)	(1,460)
	(9,773)	**(7,997)**
Adjusting amounts written out of the Revaluation Reserve	1,549	265
Net written out amount of the cost of non-current assets consumed in the year	**(8,223)**	**(7,731)**
Capital financing applied in the year:		
Sums set-aside for Debt Repayment	948	578
Use of the Capital Receipts Reserve to finance new capital expenditure	2,624	2,507
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	2,384	1,549
Application of grants to capital financing from the Capital Grants Unapplied Account		
Capital expenditure charged against the General Fund balance		1,697
	5,957	**6,331**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	98	161
Balance at 31st March	**57,460**	**56,220**

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.

	2012/13 £000	2013/14 £000
Opening balance at 1 April	46,566	48,985
Remeasurements of the net defined liability	688	5,574
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	4,488	4,936
Employer's pensions contributions	(2,757)	(3,019)
Closing balance at 31 March	**48,985**	**56,476**

33 - 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.

	2012/13 £000	2013/14 £000
Capital Investment		
Property, Plant & Equipment	1,338	2,156
Intangible Assets	342	161
Non-enhancing capital expenditure		104
Revenue Expenditure Funded from Capital Under Statute	3,328	3,333
	5,008	**5,753**
Sources of Finance		
Capital receipts	2,624	2,507
Government grants & other contributions	2,384	1,549
Direct Revenue Contributions	0	1,697
	5,008	**5,753**

34 - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme, administered locally by Kent County Council – this is a funded defined benefit final salary scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

Due to the adoption of the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits, there are new 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. These changes have been reflected in the restated 2012/13 Movement in Reserves Statement, Comprehensive Income & Expenditure Statement and the relevant notes to the accounts. A comparison of the original and restated is provided in section g) of Note 1 Accounting Policies. The net pension liability remains unchanged at 31st March 2014 so there is no need to restate the balance sheet.

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:

Comprehensive Income & Expenditure Statement (CI&ES)	**2012/13 £000**	**2013/14 £000**
Cost of Services:		
Service cost comprising:		
- Current service cost	2,399	2,840
- Past service costs including curtailments	9	148
- (Gain)/loss from settlements	-	(96)
Financing and Investment Income & Expenditure:		
- Net interest expense	2,080	2,044
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**4,488**	**4,936**
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)	6,774	2,901
- Actuarial gains and losses arising on changes in financial assumptions	(7,358)	(2,776)
- Actuarial gains and losses arising on changes in demographic assumptions	-	(3,222)
-Experience gains and losses on defined benefit obligation	(104)	445
- Other actuarial gains and losses	-	(2,922)
Total Post Employment Benefit Charged to the CI&ES	**3,800**	**(638)**
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	4,488	4,936
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(2,756)	(3,019)

Curtailments

Curtailments have been calculated for employees who become entitled to unreduced early retirement benefits during the year. The capitalised cost of the additional benefits relative to those reserved for under IAS19 is calculated at £148,000.

Settlements

As a result of some members transferring to / from another Employer over the year, liabilities have been settled at a cost different to the IAS19 reserve. The capitalised gain of this settlement is £96,000.

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:

	2012/13 £000	2013/14 £000
Present value of funded obligation	124,831	133,772
Fair value of plan assets	78,152	79,694
Contributions by scheme participants	46,679	54,078
Present value of unfunded obligation	2,306	2,398
Net liability arising from defined benefit obligation	**48,985**	**56,476**

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

	2012/13 £000	2013/14 £000
Opening fair value of Scheme assets	69,969	78,152
Interest on assets	3,178	3,322
Return on assets less interest	6,835	2,967
Other actuarial losses	-	(2,922)
Administration expenses	(61)	(66)
Contributions by employer including unfunded	2,757	3,019
Contributions paid by scheme participants	646	686
Estimated benefits paid plus unfunded net of transfers in	(5,172)	(5,266)
Settlement prices paid	-	(198)
Closing fair value of Scheme assets	**78,152**	**79,694**

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

	2012/13 £000	2013/14 £000
Opening balance at 1 April	116,535	127,137
Current Service cost	2,399	2,840
Interest cost	5,258	5,366
Remeasurement (gains) and losses		
- Change in financial assumptions	7,358	2,776
- Change in demographic assumptions	-	3,222
- Liabilities extinguished on settlements	-	(294)
- Experience loss/(gain) on defined benefit	104	(445)
Past service costs, including curtailments	9	148
Estimated benefits paid net of transfers in	(4,973)	(5,064)
Contributions by Scheme participants	646	686
Unfunded pension payments	(199)	(202)
Closing balance at 31 March	**127,137**	**136,170**

Local Government Pension Scheme Assets

	31st March 2013 £000	%	31st March 2014 £000	%
Equities	55,488	71	56,583	71
Gilts	0	0	797	1
Other Bonds	10,160	13	8,766	11
Property	6,252	8	7,969	10
Cash	3,126	4	2,391	3
Target Return Portfolio	3,126	4	3,188	4
Total	**78,152**	**100**	**79,694**	**100**

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

Long-term expected rate of return of assets in the scheme	**2012/13**	**2013/14**
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	20.1	22.7
- Women	24.1	25.1
Longevity at 65 for future pensioners		
- Men	22.1	24.9
- Women	26.0	27.4
Financial Assumptions		
RPI increases	3.3%	3.6%
CPI increases	2.5%	2.8%
Salary increases	4.7%	4.6%
Pension increases	2.5%	2.8%
Discount Rate	4.3%	4.4%

Sensitivity Analysis

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

Sensitivity Analysis	**£000**	**£000**	**£000**
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	133,888	136,170	138,493
- Projected Service Cost	2,588	2,650	2,713
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	136,460	136,170	135,882
- Projected Service Cost	2,650	2,650	2,650
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	138,237	136,170	134,139
- Projected Service Cost	2,714	2,650	2,587
Adjustment to mortality age rating	+ 1 Year	None	+ 1 Year
- Present Value of Total Obligation	131,382	136,170	141,002
- Projected Service Cost	2,560	2,650	2,741

Scheme History

	2009/10 £000	**2010/11 £000**	**2011/12 £000**	**2012/13 £000**	**2013/14 £000**
Present value of assets in the Local Government Pension Scheme	62,238	70,211	69,969	78,152	79,694
Fair value of assets in the Local Government Pension Scheme	126,515	100,553	116,535	127,137	136,170
Surplus/(Deficit) in the scheme	**(64,277)**	**(30,342)**	**(46,566)**	**(48,985)**	**(56,476)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £56.476m 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 2015 are £2.824m.

35 - LEASES

Finance Leases – Council as Lessee

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

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

	31st March 2013 £000	31st March 2014 £000
Not more than 1 year	1,061	604
Later than 1 year and not later than 5 years	2,746	1,962
Later than 5 years	3,047	3,047
	6,854	**5,614**

36 - IMPAIRMENT LOSSES

During 2013/14 the Council did not identify any losses as a result of impairment.

37 - CONTINGENT LIABILITIES

The Council is also dealing with potential insurance claims in respect of mesothelioma, which is a condition caused by exposure to asbestos. A number of former employees of the Council have, or may be, lodging claims with Municipal Mutual Insurance, who were the Council's insurers at the time the alleged exposure took place. The estimated settlement costs currently totals £0.145m, and the Council would be liable for 15% of this cost, which equates to £21,750.

A group of Property Search Companies are seeking to claim refunds of fees paid to the Council to access land charges data. Proceedings have not yet been issued. The Council has been informed that the value of those claims at present is estimated to be £31,000 plus interest and costs. The claimants have also intimated that they may bring a claim against all English and Welsh local authorities for alleged anticompetitive behaviour. It is not clear what the value of any such claim would be as against the Council. It is possible that additional claimants may come forward to submit claims for refunds, but none have been intimated at present.

The Council has made a provision for NNDR Appeals based upon its best estimates of the actual liability as at the year-end in known appeals. It is not possible to quantify appeals that have not yet been lodged with the Valuation Office so there is a risk to the Council that national and local appeals may have a future impact on the accounts.

38 - CONTINGENT ASSETS

There is currently a claim lodged with Her Majesty's Revenues & Customs in respect of overpaid car parking charges. This relates to the VAT element of these charges and the likely settlement is estimated to be approximately £40,000.

39 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Regeneration & Communities on 30th June 2014. Events taking place after this date are not reflected in the financial statement or notes. Where events taking place before this date provided information about conditions existing at 31st March 2014 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

	2012/13 (Restated) £000	**2013/14 £000**
Depreciation	(2,588)	(2,442)
Revaluation Gains & Losses	(293)	(378)
Amortisation of Intangible Assets	(251)	(280)
Movement in Provisions	842	(2,136)
Movement in Creditors	347	(2,062)
Movement in Debtors	3,850	(1,884)
Movement in Inventories	3	(11)
Movement in Pension Liabilities	(1,732)	(1,917)
Carrying amount of Non-Current Assets sold	(3,117)	(1,460)
Other Non-Cash items	98	161
	(2,841)	**(12,409)**

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

	2012/13 £000	2013/14 £000
Proceeds from Short and Long-Term Investments		
Capital Grants credited to surplus or deficit on the provision of services	2,938	1,880
Proceeds from sale of Property, Plant & Equipment	3,609	1,656
	6,547	**3,536**

42 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2012/13 £000	2013/14 £000
Interest received	(402)	(231)
Interest paid	384	235
Dividends received	0	
	(18)	**4**

43 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2012/13 £000	2013/14 £000
Purchase of property, plant & equipment, investment property and intangible assets	2,189	2,456
Purchase of short-term and long-term investments	7,000	5,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(3,127)	(1,780)
Proceeds from short-term and long-term investments	(7,000)	(7,000)
Other receipts for investing activities (Grants)	(3,901)	(1,664)
Net cash flows from investing activities	**(4,839)**	**(2,988)**

44 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2012/13 £000	2013/14 £000
Cash receipts of short & long-term borrowing		
Other receipts from financing activities	(974)	367
Cash payments for the reduction of outstanding liabilities relating to finance leases		
Repayments of short & long-term borrowing		5
Other payments for financing activities	947	578
Net cash flows from financing activities	**(27)**	**950**

COLLECTION FUND STATEMENT & NOTES

2012/13 £000		2013/14 £000	2013/14 £000
	INCOME		
81,784	Income From Council Tax		84,145
	Transfers From General Fund		
10,213	Council Tax Benefit		0
54,568	Income From Business Rates (Note 2)		56,222
146,565	**Total Income**		**140,367**
	EXPENDITURE		
	Precepts and Demands - Council Tax		
63,899	Kent County Council	57,930	
8,457	Kent Police & Crime Commissioner	7,821	
14,678	Maidstone Borough Council	13,719	
4,144	Kent & Medway Towns Fire Authority	3,757	83,227
	Shares of Business Rates		
54,361	Central Government	27,458	
	Kent County Council	4,942	
	Maidstone Borough Council	21,966	
	Kent & Medway Towns Fire Authority	549	54,916
	Transitional Protection Payments - Business Rates		34
	Impairment of Debts - Council Tax		
278	Write offs of uncollectable amounts	161	
245	Additional / (Reduced) Provision For Non Payment	24	185
	Impairment of Debts/Appeals - Business Rates		
	Write offs of uncollectable amounts	468	
	Additional / (Reduced) Provision For Non Payment	480	
	Provision for Appeals	2,878	3,825
207	Cost of Collection Allowance - Business Rates		207
146,269	**Total Expenditure**		**142,394**
296	Surplus/(Deficit) For Year		(2,027)
	Adjustment to Surplus - Council Tax		247
	Adjustment to Surplus - Business Rates		955
152	Surplus Brought Forward From Previous Years		448
448	**Surplus/(Deficit) as at 31st March 2014**		**(377)**

The adjustments to the surplus for Council Tax and NNDR relate to an excess of provisions made for bad debts and will be distributed amongst precepting authorities as required by regulations.

Notes to the Collection Fund

Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 1 April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner and the Kent & Medway Towns Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the council tax base [the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 55,155.1 for 2013/14 (60,985.3 for 2012/13) (see table below)]. This basic amount of council tax for a Band D property, £1,483.82 for 2013/14, (£1,476.80 for 2012/13) 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)	2.50	5/9	1.4
Band A	2,904.80	6/9	1,936.5
Band B	6,413.10	7/9	4,988.0
Band C	14,255.60	8/9	12,671.6
Band D	14,123.90	9/9	14,123.9
Band E	7,496.20	11/9	9,162.0
Band F	4,328.40	13/9	6,252.1
Band G	3,183.40	15/9	5,305.7
Band H	262.00	18/9	524.0
Other			189.9
			55,155.1

Note 2 - Income from Business (Non-domestic) Rates

The Council collects from local businesses an amount equal to the rateable value of their property multiplied by a uniform rate set by the Government.

For 2013/14, the business rate multiplier was 47.1p (45.8p in 2012/13) and the small business multiplier was 46.2p (45.0p in 2012/13). The rateable value at 31st March 2014 was £141.490m (£139.671m at 31st March 2013).

Note 3 – Distribution of Business (Non-domestic) Rates

A new system for the distribution of business rates was introduced from April 2013. Previously, money was paid into a National Pool and the Council received a contribution from the Pool based on a standard amount per head of local adult population.

The new system is intended to provide a link between business rates growth and the amount of money that councils have to spend on local services. Councils will be able to keep a proportion of the business rates revenue as well as growth on the revenue that is generated in their area. This is intended to provide a financial incentive for councils to promote economic growth.

Where councils receive more business rates than their level of spending, a tariff payment is made to the Government. For 2013/14, it was calculated that the Council would receive £21.97m in business rates but would make a tariff payment of £18.76m to the Government. Where councils have greater needs than their business rates income, they will receive a top-up payment from the government. The total national sums of tariffs and top-up payments will equal each other.

The levels of tariff and top-up payments will remain fixed each year, but will increase in line with the Retail Price Index.

In addition, safety net payments will be available if a council's business rates income falls by a certain amount. This safety net will be funded by a levy paid by those councils whose business rates revenue increases by a disproportionate amount compared to their needs.

Annual Governance Statement

2013/14

1. SCOPE OF RESPONSIBILITY

1.1 Maidstone Borough Council is responsible for ensuring that its business is conducted in accordance with the law and proper standards, that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. Maidstone Borough Council also has a duty under the Local Government Act 1999 to make arrangements to secure continuous improvement in the way in which its functions are exercised, having regard to a combination of economy, efficiency and effectiveness. The Council's section 151 Officer and the Monitoring Officer are key members of the Corporate Leadership Team, reviewing all decisions taken through management team, Committees, Cabinet and Full Council.

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

1.3 Where actions have been identified they are highlighted in speech bubbles at the appropriate point in the statement.

1.4 Maidstone Borough Council has approved and adopted a Local Code of Corporate Governance; this will be reviewed and updated in July 2014. The code of corporate governance is consistent with the principles of the CIPFA/SOLACE framework "Delivering Good Governance in Local Government". A copy of the Code is on the website at www.maidstone.gov.uk or can be obtained from the Council at Maidstone House, King Street, Maidstone, Kent ME15 6JQ. This statement explains how Maidstone Borough Council has complied with the code and also meets the requirements of regulation 4(3) of the Accounts and Audit (England) Regulations 2011.

2 THE PURPOSE OF THE GOVERNANCE FRAMEWORK

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

2.2 The system of internal control is a significant part of that framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of Maidstone Borough Council's policies, aims and objectives. It evaluates the likelihood of those risks being realised and the impact should they be realised then provides a means of managing the risks efficiently, effectively and economically.

2.3 This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2014 and up to the date of approval of the Statement of Accounts.

3 THE GOVERNANCE FRAMEWORK

3.1 The monitoring of Corporate Governance has a high priority at the Council. Responsibility for Corporate Governance was moved to the Head of Policy and Communications. A small working group made up of the Head of Finance and Resources, the Head of Legal services (Monitoring Officer) and the Head of Policy and Communications assisted by the Head of Audit Partnership reporting six monthly to the Corporate Leadership Team and the Audit Committee on governance matters.

3.2 At appendix A are the Council's pillars of governance this identifies they key strands of governance and the documents and actions represented with-in each.

3.3 The Governance Framework is based on the CIPFA/SOLACE six principles of effective governance

1. Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area
2. Members and officers working together to achieve a common purpose with clearly defined functions and roles
3. Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour
4. Taking informed and transparent decisions which are subject to effective scrutiny and managing risk
5. Developing the capacity and capability of members and officers to be effective
6. Engaging with local people and other stakeholders to ensure robust public accountability

How we deliver good governance

Principle	Governance Mechanism (what we are doing)	Assurance
Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area	• The vision for Maidstone is set out in our Sustainable Community Strategy . • The Strategic Plan reflects the vision and sets out our priorities and outcomes. Each outcome has an action plan performance indicators and targets. • The Annual Corporate Planning Cycle approved by Cabinet facilitates the effective planning of service delivery, including the identification of risks, and budget requirements. • Performance Management of delivering our priorities and services is achieved through 'Reach the Summit' and the Council's Performance Plan and Scrutiny Committees. • The Council's Values have been identified under the acronym STRIVE which stands for Service, Teamwork, Responsibility, Integrity, Value and Equality. • A project overview board exists and a project management toolkit is utilised to develop and monitor major projects.	• The Sustainable Community Strategy was developed following consultation with residents and engagement in events to determine the priorities and vision for the borough. A new Strategic Plan for 2015/2020 will be developed in 2014/15. • One Council Engagement Plan is in place to communicate our priorities internally. • Resident Survey undertaken every two years to understand priorities and issues for residents • Monitoring against the key measures of success is reported six monthly to Cabinet and Scrutiny. • Key Performance Indicator outturns are subject to review by Cabinet, Overview and Scrutiny committees and ultimately, by full Council. • Annual STRIVE staff awards based on our values. • The project board considers the major projects currently being undertaken by the Council at a strategic level and ensures resources are applied and

Principle	Governance Mechanism (what we are doing)	Assurance
		actions taken to maintain control over all such projects.
Members and Officers working together to achieve a common purpose with clearly defined functions and roles	• The Council's Constitution specifies the roles and responsibilities of Members and Officers and lays down financial and contract procedural rules for the efficient and effective discharge of the Council's business. The Constitution includes the roles and responsibility of the Overview and Scrutiny and Audit Committees. • A well established and effective Audit Committee and Overview and Scrutiny function. • Effective Audit function.	• The constitution is kept under constant review by the Monitoring officer. • Half yearly reports are produced for Audit Committee which evaluates the overall internal control environment tested through the internal audit work. • An annual review of audit work and the effectiveness of the audit process is produced for Audit Committee. • Governance Arrangements were reviewed in 2013 and created four Overview and Scrutiny Committees aligned to the Cabinet Portfolios. The role of overview and scrutiny has been re-defined including ensuring each has responsibility for scrutinising partnerships. • A protocol has been put into place between Audit and Scrutiny Committees to avoid duplication and overlap on the work programme and facilitate appropriate references between the committees. • The Council is a member of a well established and effective Internal Audit partnership that works to an approved annual audit plan.

Principle	Governance Mechanism (what we are doing)	Assurance
	• The Council has appointed a Monitoring Officer to oversee its compliance with laws and statutory obligations. • The Council has clearly defined roles and responsibilities for Members and Officers • The Council has a Corporate Improvement Group who identify improvement projects and review the impact of change and improvement on a quarterly basis. • Code of Corporate Governance in place	• Individual audit reports are produced for the relevant managers, with a copy to the Chief Executive and appropriate Director. • External Audit produce a number of reports which are reported to management and Members. Recommendations and comments are considered and, where necessary, action is taken to address any issues raised. • Scheme of Delegation is in place as defined in the constitution • Update on the Corporate Improvement Programme reported to Cabinet twice a year • The Local Code of Corporate Governance will be reviewed and updated in July2014

Principle	Governance Mechanism (what we are doing)	Assurance
Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour	• Good Corporate Governance is at the heart of everything the Council does, for staff this is incorporated into our six core values (STRIVE) in the delivery of services and in particular the value: Integrity and High Standards of Corporate Governance. The Council has an annual award ceremony focussed on our values, where individuals and teams are given awards for demonstrating the values. • At the mid year and full year appraisal points all staff are asked how they demonstrate the values. • The Audit Committee has a responsibility to monitor and improve the arrangements for Corporate Governance within the Council. • The Council's Monitoring Officer is responsible for ensuring that the Council acts in accordance with the constitution. • The Council has adopted a local code of conduct for Members and Officers. • The Council meets the requirements of the Public Sector Equality Duty. • HR procedures and systems are in place for disciplinary and	• Annual Award Ceremony for Staff focused on the Values • The competency framework is aligned to the council's values • The Audit Committee provides an Annual Report to Council on its effectiveness. • The Monitoring Officer reports to Council and provides advice to Members and Officers. • The Section 151 officer and monitoring officer review all reports for decision via our committee report management system (moderngov). • Equality Impact Assessment are carried out to demonstrate equalities being taken into account in our decision making. In 2013 Audit reviewed our compliance with the Public Sector Equality Duty which was followed by a public sector equality duty self-

Principle	Governance Mechanism (what we are doing)	Assurance
	capability management	assessment. • Corporate Equality Policy. We will be setting new equality objectives in 2015.
Taking informed and transparent decisions which are subject to effective scrutiny and managing risk	• The Council commissioned an Overview and Scrutiny review of its governance arrangements focussed on whether the Council should change its system to a committee or an alternative system. It was agreed to adopt an enhanced scrutiny model with four Overview and Scrutiny Committees aligned to the Cabinet Portfolios. • An agreed Risk Management Strategy is in place with identified corporate strategic risks and Management Action Plans. • Risk management is a standard heading for consideration of all reports to Management Team and Members. A formal risk assessment is required for reports which require decisions on strategic issues or which seek approval for significant projects. • Heads of Service are asked to identify risks as part of their annual review of service plans. • The Council publishes details of all Council spending to suppliers, senior officer salaries and details of all new contracts via its website.	• Overview and Scrutiny report annually to full council on their effectiveness and outcomes. • The Strategic Risk Register is subject to regular review. Risks to service delivery (operational risks) have been accepted as the responsibility of individual authorised officers and incorporated into Service Plans. Heads of Service are responsible for ensuring that their service managers retain an effective operational risk • Risk assessments for service plans are logged in covalent The Strategic Risk Register will be reviewed and refreshed alongside the new strategic plan for 2015-2020

Principle	Governance Mechanism (what we are doing)	Assurance
	• Open meetings and webcasting • Transparent and Evidence based decision making	• Meetings are webcast. Agenda papers and the access to information procedure rules are complied with • Reports include information on the options considered alternatives and reason for decision
Developing the capacity of Members and Officers to be effective	• The Council has had an "Investors in People" (IiP) award for a number of years, which involves demonstrating that the Council has regular appraisals, service and training planning, training evaluation forms, recruitment and selection procedures and initiatives such as Work/Life Balance. The Council was re-accredited with IiP early in 2011. • We have revised our Member Development Policy. • Annual Member development programme. • New Member induction programme. • Overview and Scrutiny Handbook. • A well established staff appraisal process is in place and guidance and training is available for all staff and managers.	• IiP Health Checks, compliance with IiP is regularly reviewed the Council has a target to be at gold level by 2015. • The council was assessed as level Silver in 2013. • Regular Member seminars and workshops. • The Employment and Member Development Panel reviews the development programme and budget for Members annually. • The Governance review in 2012-13 identified that Member's continued professional development was crucial going forward. • Appraisals are held at mid year and end of year points with all staff, they include a section to identify development needs.

Principle	Governance Mechanism (what we are doing)	Assurance
	• Workforce Strategy	• Service delivery by trained and experienced people. • Regular reports to the Member and Employment Development Panel

Principle	Governance Mechanism (what we are doing)	Assurance
Engaging with local people and other stakeholders to ensure robust public accountability	• Consultations are held on decisions affecting local people and local people are encouraged to be involved, for example the work on developing the Council's Local Plan A new Communication and Engagement Strategy for 2015-2020 will be produced aligned to the new Strategic Plan	• Consultation feedback for example from the budget and Local Plan development. • Focus groups to inform policies and plans as they develop • Cabinet Roadshows • Communication and Engagement Plan in place for 2014-2015
	• Engagement with stakeholders through the Locality Board and supporting task groups	• Community Development Strategy
	• Membership of the Chamber of Commerce and work through the Chamber, Federation of Small Businesses, Town Centre Management, Maidstone Tourism Association and Rural Business Forums to engage businesses.	• Single point of contact for businesses in the Borough established through the Economic Development Team Business Visits, Business Breakfasts and Lunch with Mayor held in order to develop better relationships with the business community • In 2014 a survey was undertaken of local businesses to inform the new economic development strategy and our vision for growth.
	• Annual consultation with residents on our budget	• Budget Roadshows and/or online consultation
	• We carry out a survey of residents every other year	• Resident Survey
	• We launched a new website in 2013	• Website tested by residents to ensure it is user

Principle	Governance Mechanism (what we are doing)	Assurance
	• We are running a programme of neighbourhood action planning (action plans to address issues identified by residents)working locally with you to identify how we can improve where you live. • Regular consultation with residents to inform our decision making	friendly • Neighbourhood action planning reviewed and monitored by scrutiny.

4 REVIEW OF EFFECTIVENESS

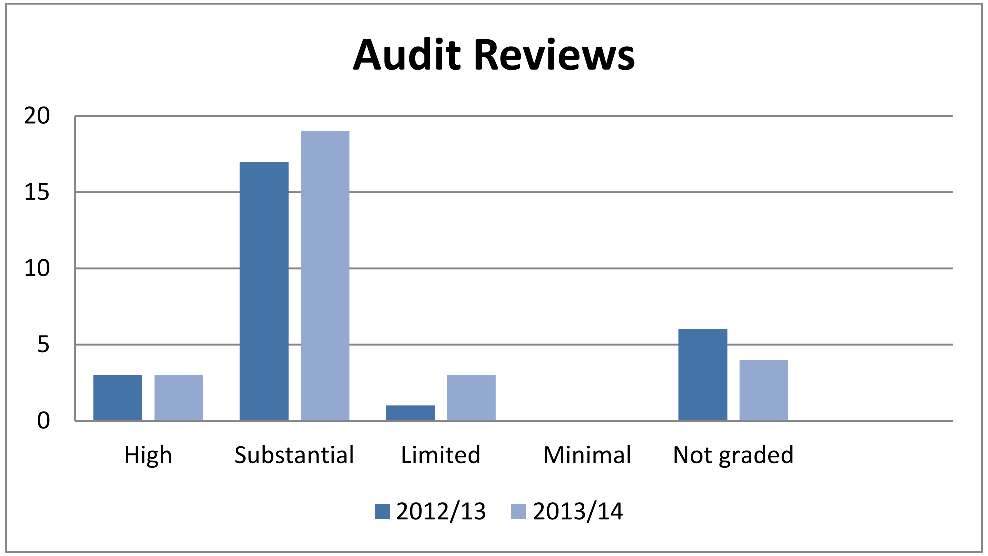
4.1 Maidstone Borough Council has responsibility for conducting, at least annually, a review of the effectiveness of the system of corporate governance and internal control. This is undertaken by the Corporate Leadership Team. The review of effectiveness undertaken in 2013/14 is informed by the work of the internal auditors and the Council's Senior Officers who have responsibility for the development and maintenance of the overall governance environment, and also by comments made by the external auditors and other review agencies and inspectorates.

4.2 The Council's internal audit service has been provided since 2010 in a four way shared service partnership with Ashford, Tunbridge Wells and Swale Borough Councils. Internal audit works to a plan discussed and agreed with officers and Members, at the Audit Committee on 25 March 2013.

4.3 The overall conclusions of the work of Internal Audit were presented to the Audit Committee on 14 July 2014 in the Internal Audit Annual Report. This report included the Head of Internal Audit Opinion, issued in line with Public Sector Internal Audit Standards and covering the period 1 April 2013 to 31 March 2014.

4.4 The Head of Internal Audit Opinion considered the Council's internal control, corporate governance and risk management arrangements, informed by work completed during 2013/14. The opinion concluded that the council can place substantial assurance that the systems in place during the year accord with proper practice, extending to both the financial and non-financial systems of the Council insofar as they have been subject to audit review.

4.5 Audit reports are generally graded individually to report on the level of assurance available to the Council from the area under review. Conclusions for this year were:



4.6 For 2013/14 a total of 22 reports had a positive assurance statement compared with 20 in 2012/13. As noted by the Head of Internal Audit Opinion, the level of assurance offered overall remains substantial but the 2013/14 audit plan examined a broader range of areas informed by a detailed risk assessment.

4.7 Of the three reports which received limited assurance:

- **Housing options**: The audit raised recommendations aimed at addressing identified weaknesses in the management and administration of the housing register, noting that the service is operating a new scheme which had been in place less than a year at the time of the review.

- **Museum collections**: The audit identified that resource issues meant that the project cataloguing the museum's collection had made little progress and was not acting to clear procedures. The audit also noted inconsistent VAT treatment on disposals and insufficient documentation supporting loaning out and borrowing artefacts.

- **Freedom of information**: The audit identified that previously highlighted weaknesses within this area had not been addressed by the Council, and made recommendations for improvement. The areas noted were on ensuring compliance with legislation, clarity of responsibility for handling requests and the publication scheme.

4.8 All recommendations made are subject to audit follow up during 2014/15. Progress made to date with those reviews that received limited assurance will be monitored in the action plan for 2014/15 in section 5.

4.9 The Council is able to confirm that its financial management arrangements conform with the governance requirements of the CIPFA statement on the role of the Chief Financial Officer in Local Government (2010).

4.10 A number of areas were identified in the proceeding statement where action is required these have been included within our significant governance issues for 2014-15 action plan below.

5 SIGNIFICANT GOVERNANCE ISSUES

Actions for 2013/14 as identified in the last Annual Governance Statement

Governance Issue	Action Taken	By When	Progress
Corporate Leadership Team have identified a need to Review the Council's approach to Information Management	Objective have been appointed to undertake a piece of work to review how the Council manages information and identify a vision and strategy going forward	30 September 2013	Review completed. Action Plan has been put in place for the next 18 months which should be reviewed for 2014/15
Embedding Corporate Governance and Ensuring Best Practice is identified	A corporate governance working group will be set up to report into the Audit Committee on governance issues and the progress of the action plan	Quarterly with updates to Audit Committee in October and March	Governance group is in place.
Project Management	The report into the Museum East Wing project by the Chief Executive has confirmed that project management arrangements have significantly improved to address financial, planning and procurement of capital projects	Ongoing	Completed
The Council undertook a follow up Stress survey in December 2012. This showed that we have improved on most areas from the	As a result of the original stress survey in 2011 the Council developed the one council engagement plan to focus on engaging all staff in our priorities. Following on from this initial piece of work we have now	The work with the Comms Lab has started and the revised competency framework will be in place by September.	Completed

Governance Issue	Action Taken	By When	Progress
one in 2011. However action is still required to return to the ideal levels of stress in the organisation.	appointed the Comms Lab to review how we engage with employees looking at support for managers, developing a coaching culture and tools for employee engagement on our priorities.	Tools for managers will be used throughout the year in accordance with the one council engagement plan.	
Testing the Council's approach to Strategic Planning and Meeting its outcomes for businesses and residents in regard to the economy	Corporate Peer Challenge from the LGA Any actions resulting from recommendations will be programmed following the review	31 October 2013	Completed
Members' Professional Development The governance review in 2012/13 identified that this was an area for improvement particularly in relation to Members leading and owning their development.	The Member Development Policy has been revised and moved to Democratic Services to bring it closer to Members. Members will be asked via committees to identify their training needs and the process for attending conferences will be simplified.	Policy Approved 10 July 2013 Implemented during 2013/14	Completed
The Council's Communication and	Revised Strategy to accompany the Strategic Plan refresh	(Proposed timetable) Drafted September	Action Plan approved and in place

Governance Issue	Action Taken	By When	Progress
Engagement Strategy will be revised in 2013/14		2013. Cabinet Approved for Consultation December 2013. Overview and Scrutiny Invited to Review January 2014. Approved by Cabinet February 2014.	
The residents survey identified that more work needed to be done to engage young people with the Council	An action plan has been developed and put into place as one of the Council's equality objectives.		Completed
Public Debate Meetings are meant to be held twice a year.	Consultation will be carried out to identify issues of public concern for debate. Meetings of full Council will then take place on a topic of interest identified by the public.	Public Meetings will take place in November 2013 and April 2014.	Public Engagement meetings have ceased pending a full review of communication and engagement in 2014/15.

Actions for 2014-15 as identified in the current Annual Governance Statement

Governance Issue	Action Taken	By When	By Whom
Implementation of the Information Management Action Plan	The vision and principles for information management have been agreed	The action plan has targets for the next eighteen months.	Angela Woodhouse, Head of Policy and Communications
Embedding Corporate Governance and Ensuring Best Practice is identified	The Corporate Governance Working Group will continue	Quarterly meetings with updates to Audit Committee and CLT every six months.	Angela Woodhouse, Head of Policy and Communications
A new Communication and Engagement Strategy will be put in place to run from 2015-2020 alongside the Strategic Plan	Work has been undertaken to identify the key stakeholders	(Proposed timetable) Drafted September – October 2014. Cabinet Approved for Consultation December 2014. Overview and Scrutiny Invited to Review January 2015. Approved by Cabinet February 2015.	Angela Woodhouse, Head of Policy and Communications
The residents survey identified that more work needed to be done on developing residents	The communication and engagement action plan for 2014-15 includes actions to run you said we did campaigns.	September 2014	Angela Woodhouse, Head of Policy and Communications

Governance Issue	Action Taken	By When	By Whom
involvement in decision making as only 29% of respondents believe they can influence decision making in their area.	The Strategic Leadership and Corporate Services Overview and Scrutiny Committee held a session to consider actions to increase resident involvement in decision making.		
Updating the Strategic Risk Register		(Proposed timetable) Drafted September – October 2014. Cabinet Approved for Consultation December 2014. Overview and Scrutiny Invited to Review January 2015. Approved by Cabinet February 2015.	Corporate Leadership Team
Audit Reviews with Limited Assurance: Housing Freedom of Information	Action Plans have been put in place	To be reviewed as part of the six monthly review of the annual governance statement action plan	Head of Housing and Community Services Head of Policy and Communications Head of Commercial and Economic

Governance Issue	Action Taken	By When	By Whom
Museum Collections			Development
New Strategic Plan for 2015/2020	A corporate planning timetable will be agreed by Cabinet in September 2014 Work has already begun on agreeing the new priorities and outcomes using performance and resident survey information	(Proposed timetable) Drafted September – October 2014. Cabinet Approved for Consultation December 2014. Overview and Scrutiny Invited to Review January 2015. Approved by Cabinet February 2015.	Cabinet and Corporate Leadership Team

6 Certification

We propose over the coming year to take steps to address the above matters to further enhance our governance arrangements. We are satisfied that these steps will address the need for improvement that were identified in our review of effectiveness and will monitor their implementation and operation as part of our next annual review.

Leader of the Council:________________________

Date:_______________________

Chief Executive:_____________________________

Date:________________________

Appendix A - Pillars of Governance

Monitoring

Monitoring Officer, attends all meetings of the Corporate Leadership Team (CLT)

Effective Overview and Scrutiny Committees

Standards and Audit Committees in place

Corporate Project Board oversees all key projects

Effective Internal Audit partnership

Audit Reports produced for service areas in line with the approved Audit Plan

Annual Audit report to Audit and Council

External Audit, produce a number of reports which are reported to management

Local Code of Corporate Governance agreed annanually

Performance and Financial Management

An Annual Performance Plan is in place aligned to the Strategic Plan

Reach the Summit monitors performance of services internally on a quarterly basis

Quarterly performance reports to CLT, Cabinet and Scrutiny

Annual Corporate Planning cycle in place to identify service planning, risks and budget requirements

Regular meetings held with heads of service to monitor performance and ensure compliance with a range of corporate policies

IiP accreditation and health checks

Treasury Management Code

Prudential Indicators monitored daily

Transparency and Partnership Working

Complaints monitored and reported quarterly to CLT and Scrutiny

Reports available on the council's website

Senior Salaries, Spending with Suppliers and Contracts published on-line

The Locality Board is in the process of being reviewed, the Board has several working groups in place to meet corporate priorities in partnership with private public and voluntary and community sector partners.

A partnership protocol has been adopted for the Mid Kent Improvement Partnership

Risk Management

Risk Management Strategy and action plans agreed and implemented

Operational risks incorporated into service plans

Risk Management is considered in all reports to Corporate Leadership Team and Members

Formal Risk assessment is required for decisions on strategic issues or which seek approval for significant projects and funding

Reported to Audit Committee

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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