

AGENDA

AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING



Date: Monday 20 July 2015
Time: 6.30 p.m.
Venue: Town Hall, High Street,
Maidstone

Membership:

Councillors Black, Butcher (Parish
Representative), Butler, Clark, Daley,
Mrs Gooch, McLoughlin, Perry,
Mrs Riden (Parish Representative),
Ross and Vizzard

Page No.

1. Apologies for Absence
2. Notification of Substitute Members
3. Notification of Visiting Members
4. Election of Chairman

Continued Over/:

Issued on 10 July 2015

The reports included in Part I of this agenda can be made available in **alternative formats**. For further information about this service, or to arrange for special facilities to be provided at the meeting, **please contact DEBBIE SNOOK on 01622 602030**. To find out more about the work of the Committee, please visit www.maidstone.gov.uk

**Alison Broom, Chief Executive, Maidstone Borough Council,
Maidstone House, King Street, Maidstone, Kent ME15 6JQ**

5.	Election of Vice-Chairman	
6.	Disclosures by Members and Officers	
7.	Disclosures of Lobbying	
8.	To consider whether any items should be taken in private because of the possible disclosure of exempt information	
9.	Report of the Head of Legal Partnership - Complaints Received Under the Members' Code of Conduct	1 - 4
10.	Report of the Director of Regeneration and Communities - Benefit Fraud Annual Report 2014/15	5 - 9
11.	Report of the Head of Policy and Communications - Local Code of Corporate Governance	10 - 30
12.	Report of the Head of Policy and Communications - Annual Governance Statement 2014/15	31 - 58
13.	Report of the Head of Audit Partnership - Audit Committee Annual Report 2014/15	59 - 69
14.	Report of the Head of Audit Partnership - Internal Audit Annual Report 2014/15	70 - 102
15.	Report of the Head of Finance and Resources - Statement of Accounts 2014/15	103 - 187
16.	Report of the Head of Finance and Resources - Treasury Management Annual Review 2014/15	188 - 196
17.	Report of the Head of Finance and Resources - External Audit Fee Letter 2015/16	197 - 203
18.	Report of the Head of Finance and Resources - External Audit Update July 2015	204 - 221

Audit Governance & Standards Committee

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

N/A

Complaints received under the Members Code of Conduct

Final Decision-Maker	For information
Lead Director or Head of Service	John Scarborough – Head of Legal Partnership
Lead Officer and Report Author	Libby McCutcheon – Senior Solicitor – Corporate Governance
Classification	Non-exempt
Wards affected	All

This report makes the following recommendations to the final decision-maker:

For information only

This report relates to the following corporate values:

- **Responsibility** – taking ownership for actions & making the right choices and decisions that lead to a satisfactory outcome for us all.
- **Integrity** – building trust and honesty & being open and transparent in everything we do.

Timetable

<i>Meeting</i>	<i>Date</i>
Audit Standards and Governance Committee to note the report.	20 July 2015

Complaints received under the Members Code of Conduct Report

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report provides an update on complaints received under the Member's Code of Conduct in the period ending 9 July 2015.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 It is a requirement under the Localism Act 2011 that all Councils adopt a Code of Conduct and that the Code adopted must be based upon the Nolan Principles of Conduct in Public Life. The current Members' Code of Conduct ("the Code") for Maidstone Borough Council is set out in the new Constitution adopted in May 2015 (and is unchanged from the previous Code of Conduct.)
 - 2.2 At the same Full Council meeting the Maidstone Borough Council also adopted arrangements for dealing with complaints under the Code about Maidstone Borough Councillors..
 - 2.3 The Localism Act 2011 requirement to adopt a Code of Conduct also applied to all the Parish Councils in the Maidstone area. Consequently, all the Parish Councils in the Maidstone area also adopted their own Codes of Conduct.
 - 2.4 Under the Localism Act 2011 Maidstone Borough Council is responsible for dealing with any complaints made under the various Codes of Conduct throughout the Maidstone area. Thus the Borough Council is responsible for dealing with any complaints affecting Members of, not only the Borough Council, but also all the Parish Councils in the Maidstone Borough.
 - 2.5 The arrangements for dealing with complaints varies slightly according to which process the relevant Parish Council adopted. Full details of each complaints procedure is available on each Councils website.
 - 2.6 The Borough Council have resolved that oversight of any Code of Conduct complaints falls under the Audit Standards and Governance Committee.
-

3. UPDATE ON COMPLAINTS RECEIVED

- 3.1 This is the first meeting of the newly constituted Audit Standards and Governance Committee and the Monitoring Officer intends to provide an update to the Committee upon complaints received at each meeting. The update is set out so that the names of the complainant and the Member complained about are both kept confidential. The reason for this is that the Localism Act 2011

repealed the previous statutory process for dealing with complaints whereby decisions including names would be published. In the absence of that statutory process, complaints must be dealt with in accordance with the Data Protection Act 1998 which means such data must be kept confidential.

- 3.2 Since Annual Council on **23 May 2015**, there have been two new complaints which are presently receiving initial consideration by the Monitoring Officer.
- 3.3 In addition, there was one outstanding complaint in existence at **23 May 2015**. This has since been rejected by the Monitoring Officer (in consultation with the Independent Person) as being unfounded.
- 3.4 The new Constitution provides for a Hearings Sub-Committee (part 2.1 p26) to meet to consider any complaint which remains valid after investigation and consideration by the Monitoring Officer in consultation (as required) by the Independent Person. The Hearings Sub-Committee has not yet been required to meet.

4. PREFERRED OPTION

- 4.1 To note the update upon complaints under the Member’s Code of Conduct

5. CONSULTATION

- 5.1 Members of the Audit Standards and Governance Committee and the independent person in accordance with the relevant complaints procedure will be consulted with on individual complaints as and when necessary.

6. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Supporting Corporate Values of Responsibility and Integrity	Head of Service or Manager
Risk Management	An effective complaints procedure is part of an effective system of governance	Head of Service or Manager
Financial	If the complaint proceeds to an investigation, which may be carried out by an external person, the costs for this work has to be met by the Borough Council.	Section 151 Officer & Finance Team
Staffing	The complaints procedure is dealt within the remit of the Monitoring Officer with input from other service units as required.	Senior Corporate Governance Solicitor
Legal	This is a requirement of the Localism Act	Team Leader

	2011	Corporate Governance
Equality Impact Needs Assessment	Any potential to disadvantage or discriminate different groups within the community should be overcome within the adopted complaints procedures.	Senior Corporate Governance Solicitor
Environmental/ Sustainable Development	n/a	
Community Safety	n/a	
Human Rights Act	All complaints are dealt with in the context of the Human Rights Act	Senior Corporate Governance Solicitor
Procurement	n/a	
Asset Management	n/a	

7. REPORT APPENDICES & BACKGROUND PAPERS

None

Audit, Governance and Standards Committee

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

No

Benefit Fraud Annual Report 2014/2015

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Director or Head of Service	Director of Regeneration and Communities
Lead Officer and Report Author	Benefit Fraud Manager
Classification	Non-exempt
Wards affected	None

This report makes the following recommendations to the final decision-maker:

1. Consider the results of the Investigation Team for the year 2014/2015.
2. To note the current format of the Mid Kent Partnership shared fraud service
3. To note the impending changes resulting from the roll out of Single Fraud Investigation Service for Maidstone 16/03/2016.

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

Timetable	
<i>Meeting</i>	<i>Date</i>
Audit Committee	20/07/2016

Benefit Fraud Annual Report 2014/2015

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The report is to note the performance of the Benefit shared service and to give background to the future of the Fraud Team.

2. INTRODUCTION AND BACKGROUND / RESULTS / FUTURE

- 2.1 The fraud shared service was set up in 2008, bringing together the Maidstone and Tunbridge Wells Fraud Investigation function, and was extended in November 2014 to include Swale Borough Council. The Shared Service was expanded to offer some resilience prior to the roll out of the government's Single Fraud Investigation Service.
- 2.2 The primary role of the team is the prevention and detection of Housing Benefit and Council Tax Support fraud and to work within the authorities' Anti Fraud Strategy.
- 2.3 Maidstone Borough Council pays out over £55 million in Housing Benefit and Council Tax Support to over 12,000 households. The Benefit Fraud shared service has a staffing compliment for this financial year comprising :
 - 1.0 Fraud Manager
 - 2.6 Investigators
 - 2.0 Compliance Officers
 - 0.8 Clerical Support
- 2.4 The staffing cost to Maidstone Borough Council for the year 2014/ 2015 was £101k.
- 2.5 The number of fraud referrals received for Maidstone Borough Council was 426, and of these 136 were raised as investigations. The remainder were either passed to Compliance Officers, for non criminal informal action or to the Department for Work and Pensions (DWP) Counter Fraud Service.
- 2.6 Results are measured on the number of Sanctions applied (prosecutions, administrative penalties and cautions) and the monetary value of the overpayments and weekly benefit savings.
- 2.7 In 2014/2015 there were 8 Prosecutions, 2 Administrative Penalties and 12 Cautions by Maidstone Borough Council. As seen from the figures the focus changed from prosecutions and administrative penalties to alternative Sanction action due in part to DWP policy and financial consideration.
- 2.8 The total overpayments found were valued at £274,651.51. The Authority recovers this in full, wherever possible and receives 40% subsidy from the DWP. Hence if the whole amount is recovered the total claw back would be 140%. The overpayment

figure includes £4,204.46, identified from the National Initiative biannual review currently being undertaken.

- 2.9 The council has robust procedures to recover any overpayments of benefit and Administrative penalties and in the year 2014 /2015 the collection rate for benefit overpayment was 67%.
- 2.10 The National Fraud Initiative review of Council Tax Single person discounts undertaken during the year has also identified savings of £30,473.08, and these savings were recharged to the relevant Council Tax accounts.
- 2.11 The following demonstrates the contribution made by the team in terms of return on investment and protecting the public purse. The return on investment is treated as the recoverable overpayments divided by all costs expressed as the amount of recoverable overpayment for every pound spent.

Total Savings and overpayment identified = £305,124
Cost of Team recharged to Maidstone = £101
Return on investment is therefore = £3 for every £ spent

- 2.12 All of the councils within the shared service (Maidstone, Tunbridge Wells and Swale) are due to be incorporated into the Single Fraud Investigation Service on 16/03/2016 and as such will be the last councils in Kent to transfer.
- 2.13 From experience of other authorities that have already transferred their Fraud Teams six months prior to the transfer date the council should be contacted to see which staff members would be able to transfer. Approximately 3 months prior to transfer date the Local Authorities are told to cease any new investigations into housing benefit cases and then current cases being investigated are migrated to DWP.
- 2.14 Staff that are not retained by the council will then transfer to the DWP on 16/03/2016. Staff that remain within the councils are no longer empowered to investigate housing benefit cases.
- 2.15 The council will still be responsible for the management of Housing Benefit claims until Universal Credit is further expanded to encompass all claims. As such the councils will still have a responsibility to reduce fraud and error entering the system. They will also maintain a review of the NFI data matches, and housing benefit matching service notifications of changes or anomalies within the claim. If fraud is suspected, they will then refer the claim to The Single Fraud Investigation Service to deal with.
- 2.16 It will also be the responsibility of the council to manage and investigate Council Tax Support cases and all discounts and exemptions in relation to these cases. This also applies to Business Rates. DWP will not investigate any of these claims or discounts.
- 2.17 Proposals are currently being drafted to assess the liability of retaining a fraud service for the three councils.

3 THE OPTIONS

- 3.1 The Council has a duty to protect the Housing Benefit system from fraud and abuse, for which it receives payment within the overall administration grant from DWP. It is considered good practice to report on the council's performance in relation to fraud and an error in the benefit system.

4 PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 A decision is not required as the report is for information only
-

5 CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The Audit committee receives an annual report on Benefit fraud and will continue to do so.
-

6 NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The proposals for a retained fraud service will be assessed and if considered viable will be presented to the preceptors and the other councils for consideration.
-

7 CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	With the introduction of SFIS the focus of the team will change to Council Tax Support claims and discounts and exemptions both for Council Tax and Non Domestic rates.	Head of Revenues and Benefits
Risk Management	The report is for information only. Options for the future delivery of the counter fraud function will be reported to a future meeting.	Head of Revenues and Benefits

Financial	The report is for information only. A separate report will be submitted to a future meeting.	S151 Officer
Staffing	Research being undertaken to confirm viability of staffing levels after 16/03/2016	Head of Revenues and Benefits
Legal	With the introduction of SFIS Local Authorities will not be authorised to investigate or prosecute any Welfare benefits Local authorities are empowered to investigate Council Tax support and associated Discounts/Exemptions	Deputy Head of Legal Partnership
Equality Impact Needs Assessment	No impact.	Head of Revenues and Benefits
Environmental/Sustainable Development	No impact.	Head of Revenues and Benefits
Community Safety	No impact.	Head of Revenues and Benefits
Human Rights Act	No impact.	Head of Revenues and Benefits
Procurement	No impact.	Head of Revenues and Benefits
Asset Management	No impact.	Head of Revenues and Benefits

8 REPORT APPENDICES

None

9 BACKGROUND PAPERS

None

Agenda Item 11

Audit Governance and Standards Committee	20 JULY 2015
Is the final decision on the recommendations in this report to be made at this meeting?	No

Local Code of Corporate Governance

Final Decision-Maker	Policy and Resources Committee
Lead Director or Head of Service	Chief Executive
Lead Officer and Report Author	Angela Woodhouse
Classification	Non-exempt
Wards affected	

This report makes the following recommendations to the final decision-maker:

1. To review and approve the Local Code of Corporate Governance for sign-off by the Chief Executive and Leader.

This report relates to the following corporate priorities:

- **Great Place:** Keeping Maidstone Borough an attractive place for all
- **Great Opportunity:** Securing a successful economy for Maidstone Borough
- **Great People:** Our mission "Putting People First"

Timetable	
Meeting	Date
Audit, Governance and Standards Committee	20/7/15
Policy and Resources Committee	29/7/15
Council	N/A

Local Code of Corporate Governance

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Local Code of Corporate Governance was adopted in 2003, since then the Code has been reviewed annually to ensure it remains fit for purpose and up to date.

2. INTRODUCTION AND BACKGROUND

- 2.1 Corporate governance describes the processes, procedures and measures we use to manage ourselves and how we engage with and are accountable to our residents. Maidstone Borough Council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner. The Code identifies the six core principles and how the Council will fulfill these obligations.

- 2.2 The core principles are as follows:-

- 1) The Authority will focus on its purpose and on outcomes for the community in creating and implementing a vision for the local area.
- 2) Members and Officers will work together to achieve a common purpose with clearly defined functions and roles.
- 3) Members and Officers will promote the core values for the Authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour.
- 4) The Authority will take informed and transparent decisions which are subject to effective scrutiny and will manage risk.
- 5) The Authority will develop the capacity and capability of Members and Officers to be effective.
- 6) The Authority will engage with local people and other stakeholders to ensure robust public accountability.

- 2.3 In broad terms Maidstone Borough Council addresses Corporate Governance through the following areas:-

- a) **Constitution** – The Constitution has a comprehensive scheme of delegation to Members and Officers and therefore clearly sets out the arrangements for the provision of services. Audit, Governance and Standards Committee arrangements are in place. The Constitution includes Codes of Conduct for both Officers and Members;

- b) **Vision** - The Council has a long term vision (through the Sustainable Community Strategy) with short to medium term delivery through the Strategic Plan, which is reviewed annually. The delivery of priorities is related to funding availability and capacity through the Budget Strategy and is based on consultation with partners and the public;
 - c) **Comprehensive Performance Management** - Arrangements are in place that incorporate strategic and service based risk management and business continuity. Reporting on performance is undertaken through quarterly reports on the Authority's Key Performance Indicators and monthly reviews by Officers of service performance through service performance indicators. The system of Performance Management runs in parallel with and is related to a comprehensive system of financial management;
 - d) **Partners and Public** – Partners and the public are consulted regularly on the Authority's service priorities and budget issues and reports to the public on finance and performance are undertaken through Borough Update and an annual report; and
 - e) **Staffing** – There is a comprehensive Code of Conduct for Officers and Corporate Governance is embedded in the Authority's core values: Service, Teamwork, Responsibility, Integrity, Value and Equality (STRIVE).
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3. AVAILABLE OPTIONS

- 3.1 The Audit, Governance and Standards Committee can review the Code of Corporate Governance and identify changes as appropriate for consideration by the Policy and Resources Committee.
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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that the Committee review and agree the Code prior to submission to Policy and Resources suggesting amendments as appropriate.
 - 4.2 The Local Code of Corporate Governance at **Appendix A** has been reviewed alongside the preparation of the Annual Governance Statement. Amendments have been made to reflect the establishment of the Committee system of governance.
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5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The Audit, Governance and Standards Committee are being consulted on the Local Code of Corporate Governance as attached at **Appendix A**

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 The report will be submitted to Policy and Resources for agreement prior to sign-off by the Leader and the Chief Executive. The Code will then be published in the council's website.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Good corporate governance is essential to the delivery of all of the Council's Corporate Priorities	Head of Policy and Communications
Risk Management	The Local Code of Corporate Governance also identifies the processes by which the Authority addresses risk management as part of good corporate governance arrangements.	Head of Policy and Communications
Financial	The Code looks at how the council ensures value for money and ensuring resources meet priorities	[Section 151 Officer & Finance Team]
Staffing	N/A	
Legal	The Local Code of Corporate Governance assists the Council in having good corporate governance arrangements which are essential in ensuring robust and lawful decision-making and therefore minimising the risk of legal challenge.	Team Leader Corporate Governance
Equality Impact Needs Assessment	N/A	
Environmental/Sustainable Development	N/A	
Community Safety	N/A	
Human Rights Act	N/A	
Procurement	N/A	
Asset Management	N/A	

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Draft Local Code of Corporate Governance

9. BACKGROUND PAPERS

None

DRAFT

MAIDSTONE BOROUGH COUNCIL
LOCAL CODE OF CORPORATE GOVERNANCE
JULY 2015

1. What is Corporate Governance

- 1.1 Corporate Governance is the processes, procedures and measures we use to manage ourselves and how we engage with and are accountable to our residents. Maidstone Borough Council must ensure that it does the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 1.2 The Council acknowledges the work undertaken by CIPFA/SOLACE on establishing a framework for Corporate Governance in local government. This work includes the 2007 guidance contained in the publication Delivering Good Governance in Local Government and the subsequent 2012 update to the framework and guidance.

2. Core Principles of Corporate Governance

- 2.1 The Council endorse the core principles and the supporting principles as set out in the CIPFA/SOLACE publication on Delivering Good Governance in Local Government, published in 2007 and intend to use these principles to monitor and control Corporate Governance in Maidstone Borough Council to ensure that the Authority is doing the right things, in the right way, for the right people, in a timely, inclusive, open, honest and accountable manner.
- 2.2 The core principles are as follows:-
- 1) The Authority will focus on its purpose and on outcomes for the community in creating and implementing a vision for the local area.
 - 2) Members and officers will work together to achieve a common purpose with clearly defined functions and roles.
 - 3) Members and officers will promote the core values for the Authority and demonstrate the values of good governance through upholding high standards of conduct and behaviour:

- 4) The Authority will take informed and transparent decisions which are subject to effective scrutiny and will manage risk.
- 5) The Authority will develop the capacity and capability of Members and officers to be effective.
- 6) The Authority will engage with local people and other stakeholders to ensure robust public accountability.

3. Maidstone Borough Council's Position

3.1 Attached at Appendix 1 is a schedule showing the detailed arrangements within Maidstone Borough Council for delivery of the core principles.

4. Monitoring and Review

4.1 Each year we will carry out a review of our Governance arrangements to ensure compliance with this Code and the delivery of good governance within the Local Governance Framework. The purpose of the review will be to provide assurance that governance arrangements are adequate and operating effectively or to identify action which is planned to ensure effective governance in the future.

4.2 The outcome of the review will take the form of an Annual Governance Statement prepared on behalf of the Leader of the Council and Chief Executive.

.....
Chief Executive

Date.....

.....
Leader

Date.....

LOCAL CODE OF CORPORATE GOVERNANCE

SCHEDULE 1

PRINCIPLE 1. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA

Supporting Principles	The Code should reflect the requirement for local authorities to:	MBC Arrangements and Evidence
Exercising strategic leadership by developing and clearly communicating the Authority's purpose and vision and its intended outcome for citizens and service users	Develop and promote the Authority's purpose and vision	<ul style="list-style-type: none"> Sustainable Community Strategy adopted following consultation with the public Strategic Plan agreed and reviewed annually in parallel with Budget Strategy Communication & Engagement Strategy agreed and an Action Plan in place for 2015-16 Service Plans based on cascade from Strategic Plan Engagement Plan in place for staff and Team Talks, One Council sessions on the council's vision and priorities
	Review on a regular basis the Authority's vision for the local area and its impact on the authority's governance arrangements	<ul style="list-style-type: none"> Annual Corporate Governance Statement produced Annual review of Local Code of Corporate Governance
	Ensure that partnerships are underpinned by a common vision of their work that is understood and agreed by all parties	<ul style="list-style-type: none"> Partnership (shared service) protocol agreed which includes the requirement for a business case, risk assessment, exit strategy and other aspects of good management
	Publish an annual report on a timely basis to communicate the authority's activities and achievements, its financial position and performance	<ul style="list-style-type: none"> Annual report approved by Policy and Resources in July then published on website

PRINCIPLE 1. FOCUSING ON THE PURPOSE OF THE AUTHORITY AND ON OUTCOMES FOR THE COMMUNITY AND CREATING AND IMPLEMENTING A VISION FOR THE LOCAL AREA		
Supporting Principles	The Code should reflect the requirement for local authorities to:	MBC Arrangements and Evidence
10	Ensuring that users receive a high quality of service whether directly, or in partnership, or by commissioning	<ul style="list-style-type: none"> • Strategic Plan and Budget Strategy include performance and resource requirements • Medium Term Financial Strategy plans resource requirements and affordability • Effective performance management system in place • Annual performance report is produced and published on the website
	Put in place effective arrangements to identify and deal with failure in service delivery	<ul style="list-style-type: none"> • A clear complaints procedure and policy is in place. There are reports on complaints trends, service improvements and performance • Annual programme of internal audit activity. • Quarterly report on complaints to Policy and Resources • Effective performance management process in place with reports quarterly to CLT
Ensuring that the Authority makes best use of resources and that tax payers and service users receive excellent value for money	Decide how value for money is to be measured and make sure that the Authority or partnership has the information needed to review value for money and performance effectively. Measure the environmental impact of policies, plans and decisions.	<ul style="list-style-type: none"> • Performance is measured through Key Performance indicators aligned to the council's strategic priorities these are reported on a quarterly basis to Corporate Leadership Team and Policy and Resources Committee • The Corporate Improvement Group co-ordinates and initiates the value for money agenda

PRINCIPLE 2. MEMBERS AND OFFICERS WORKING TOGETHER TO ACHIEVE A COMMON PURPOSE WITH CLEARLY DEFINED FUNCTIONS AND ROLES

Supporting Principles	The Code should reflect the requirement for local authorities to:	MBC Arrangements and Evidence
Ensuring effective leadership throughout the Authority.	Set out a clear statement of the respective roles and responsibilities of Councillors and the Authority's approach towards putting this into practice.	<ul style="list-style-type: none"> • The Constitution sets out roles and responsibilities including a scheme of delegation • Protocol on relationships between Members and Officers in place • All decisions recorded and distributed
	Set out a clear statement of the respective roles and responsibilities of other authority members, members generally and senior officers.	<ul style="list-style-type: none"> • The Constitution • Conditions of employment
6 Ensuring that a constructive working relationship exists between Authority members and officers and that the responsibilities of members and officers are carried out to a high standard.	Determine a scheme of delegation and reserve powers within the constitution, including a formal schedule of those matters specifically reserved for collective decision of the Authority, taking account of relevant legislation, and ensure that it is monitored and updated when required.	<ul style="list-style-type: none"> • The Constitution and scheme of delegation • Regular review and amendment to Constitution to reflect changes
	Make a Chief Executive or equivalent responsible and accountable to the authority for all aspects of operational management	<ul style="list-style-type: none"> • Performance management system • The Chief Executive is Head of Paid Service with written conditions of employment and job description • Scheme of delegation included in Constitution • Regular Performance Appraisal by Members
	Develop protocols to ensure that the Leader and Chief Executive (or equivalents) negotiate their respective roles early in the relationship and that a shared understanding of roles and objectives is maintained.	<ul style="list-style-type: none"> • Regular meetings between Leader and Chief Executive • Strategic Plan developed with Councillors and Leadership team
	Make a senior officer (the S151 officer) responsible to the authority for ensuring	<ul style="list-style-type: none"> • The Director of Regeneration & Communities is the Section 151 Officer

	<p>that appropriate advice is given on all financial matters, for keeping proper financial records and accounts, and for maintaining an effective system of internal financial control.</p>	<ul style="list-style-type: none"> • Member of Corporate Leadership Team • Responsibilities set out in Constitution/Financial Procedure Rules • Budget Strategy and other Finance reports presented by the Head of Finance and Resources /Director of Regeneration & Communities • Job Description and conditions of employment in place
	<p>Make a senior officer (usually the monitoring officer) responsible to the authority for ensuring that agreed procedures are followed and that all applicable statutes and regulations are complied with</p>	<ul style="list-style-type: none"> • The Head of Legal Services is Monitoring Officer • Job description and conditions of employment in place • Responsibilities set out in Constitution • Member of Corporate Leadership Team
<p>Ensuring relationships between the Authority, its partners and the public are clear so that each knows what to expect of the other.</p>	<p>Develop protocols to ensure effective communication between Members and Officers in their respective roles</p>	<ul style="list-style-type: none"> • Protocol in place for Member/Officer relationship, revised as part of revision of the new constitution in 2015.
	<p>Set out the terms and conditions for remuneration of members and officers and an effective structure for managing the process, including an effective remuneration panel (if applicable)</p>	<ul style="list-style-type: none"> • Independent Remuneration Panel in place for Members • Procedures in place for agreeing pay and conditions for staff
	<p>Ensure that effective mechanisms exist to monitor service delivery</p>	<ul style="list-style-type: none"> • RTS reports quarterly on business units performance • KPI's performance reported to Policy and Resources Committee
	<p>Ensure that the organisation's vision, Strategic Plans, priorities and targets are developed through robust mechanisms, and in consultation with the local community and other key stakeholders, and that they are clearly articulated and disseminated</p>	<ul style="list-style-type: none"> • Communication and Engagement Plan in place • Strategic Plans and Budget Strategy developed with public consultation • Actual performance reported to public through Annual Report
	<p>When working in partnership ensure that members are clear about their roles and responsibilities both individually and collectively in relation to the partnership and to the authority</p>	<ul style="list-style-type: none"> • Partnerships agreed by Members • Partnerships include clear statements of principles and objectives • Partnership information on website

	<p>When working in partnership:</p> <ul style="list-style-type: none">- Ensure that there is clarity about the legal status of the partnership - Ensure that representatives or organisations both understand and make clear to all other partners the extent of their authority to bind their organisation to partner decisions	<ul style="list-style-type: none">• Financial requirements of Partnerships set out in Financial Regulations in Constitution• Shared services partnerships are subject to a legal agreement
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PRINCIPLE 3. PROMOTING VALUES FOR THE AUTHORITY AND DEMONSTRATING THE VALUES OF GOOD GOVERNANCE THROUGH UPHOLDING HIGH STANDARDS OF CONDUCT AND BEHAVIOUR

Supporting Principles	The Code should reflect the requirement for local authorities to:	MBC Arrangements and evidence
Ensuring Authority members and officers exercise leadership by behaving in ways that exemplify high standards of conduct and effective governance	Ensure that the Authority's leadership sets a tone for the organisation by creating a climate of openness, support and respect	<ul style="list-style-type: none"> • Effective Audit, Governance and Standards Committee • Annual Governance Statement approved by Policy and Resources and signed by the Leader and Chief Executive
	Ensure that standards of conduct and personal behaviour expected of members and staff, of work between members and staff and between the authority, its partners and the community are defined and communicated through codes of conduct and protocols	<ul style="list-style-type: none"> • Member/officer protocols • Code of Conduct for Members • Performance appraisal processes in place • Staff Code of Conduct • Whistleblowing and Anti-Fraud and Corruption Policies in place • Audit Committee review governance policies • Member/Officer protocol agreed • Complaints procedures in place
	Put in place arrangements to ensure that members and employees of the authority are not influenced by prejudice, bias or conflicts of interest in dealing with different stakeholders and put in place appropriate processes to ensure that they continue to operate in practice.	<ul style="list-style-type: none"> • Financial regulations • Constitution sets out requirements • Codes of Conduct in place • Financial Regulations in place and reviewed
Ensuring that organisational values are put into practice and are effective.	Develop and maintain shared values including leadership values for both the organisation and staff reflecting public expectations and communicate these with members, staff, the community and partners	<ul style="list-style-type: none"> • Codes of Conduct in place • Core values STRIVE (Service, Teamwork, Responsibility, Integrity, Value and Equality) agreed and embedded • STRIVE forms the basis for the competency framework for officers
	Put in place arrangements to ensure that systems and processes are designed in conformity with appropriate ethical standards, and monitor their continuing effectiveness in practice	<ul style="list-style-type: none"> • Codes of Conduct in place
	Develop and maintain an effective	<ul style="list-style-type: none"> • Standards role has been taken on by the Audit, Governance

	standards committee	and Standards Committee with training and support <ul style="list-style-type: none"> • Regular reports to Council
	Use the organisation’s shared values to act as a guide for decision making and as a basis for developing positive and trusting relationships within the authority	<ul style="list-style-type: none"> • Reports to Policy and Resources Committee and Corporate Leadership Team include a range of implications including impact on Key Priorities • STRIVE forms the basis for the competency framework for officers
	In pursuing the vision of a partnership, agree a set of values against which decision making and actions can be judged. Such values must be demonstrated by partners’ behaviour both individually and collectively	<ul style="list-style-type: none"> • Partnership protocol agreed

PRINCIPLE 4. TAKING INFORMED AND TRANSPARENT DECISIONS WHICH ARE SUBJECT TO EFFECTIVE SCRUTINY AND MANAGING RISK

Supporting principles	The Code should reflect the requirement for local authorities to:	MBC Arrangements and Evidence
24 Being rigorous and transparent about how decisions are taken.	Develop and maintain an effective scrutiny function which encourages constructive challenge and enhances the authority's performance overall and that of any organisation for which it is responsible	<ul style="list-style-type: none"> • The statutory requirement for Crime and Disorder Overview and Scrutiny is fulfilled by the Communities, Housing and Environment Service Committee. • The Committee system incorporates "scrutiny" in terms of policy development and review. There is also a decision referral process in place to allow Councillors to request that Service Committee decisions are reviewed.
	Develop and maintain open and effective mechanisms for documenting evidence for decisions and recording the criteria, rationale and considerations on which decisions are based	<ul style="list-style-type: none"> • Decision-making protocols record of decisions and supporting materials • Constitution sets out delegation for decision making to Officers • Agreed report format to ensure all relevant details included • Agreed policy for recording decisions, including decision referral for service committee decisions • Procedure for urgent decisions including reporting to Council
	Put in place arrangements to safeguard members and employees against conflicts of interest and put in place appropriate processes to ensure that they continue to operate in practice	<ul style="list-style-type: none"> • Codes of Conduct in place • Whistleblowing policy in place • Declarations of Interest in place • Related Party Transactions Declarations in place

	<p>Develop and maintain an effective audit committee (or equivalent) which is independent of the Service Committees make other appropriate arrangements for the discharge of the functions of such a Committee</p>	<ul style="list-style-type: none"> • Audit, Governance and Standards Committee in place with terms of reference and composition in line with CIPFA recommendations • Regular training provided, • Skills and competencies matrix prepared • Annual review of effectiveness of Audit, Governance and Standards Committee • Annual Audit Committee report to full Council • Mid Kent Internal Audit partnership in place, which regularly reports to the Committee and provides support to the Committee – including training
	<p>Ensure that effective, transparent and accessible arrangements are in place for dealing with complaints</p>	<ul style="list-style-type: none"> • Complaints procedures and reporting arrangements in place. Procedure set out in website
<p>Having good-quality information, advice and support to ensure that services are delivered effectively and are what the community wants/needs.</p>	<p>Ensure that those making decisions whether for the Authority or the partnership are provided with information that is fit for the purpose – relevant, timely and gives clear explanations of technical issues and their implications</p>	<ul style="list-style-type: none"> • Members induction scheme implemented annually • Members professional development programme agreed annually • Periodic Member briefing sessions on current issues • Member’s professional development policy in place
	<p>Ensure that professional advice on matters that have legal or financial implications is available and recorded well in advance of decision making and used appropriately</p>	<ul style="list-style-type: none"> • Report format includes need to consider legal and financial implications • The process of report approval requires agreement of finance and legal professionals where relevant
<p>Ensuring that an effective risk management system is in place.</p>	<p>Ensure that risk management is embedded into the culture of the authority, with Members and Managers at all levels recognising that risk management is part of their jobs</p>	<ul style="list-style-type: none"> • Strategic Risk Strategy and Register regularly reviewed and reported to Policy and Resources and Audit Committee. • Risk Management is included in standard report format • Training provided to Members and managers
	<p>Ensure that arrangements are in place for whistle-blowing to which staff and all those contracting with the Authority have access</p>	<ul style="list-style-type: none"> • Whistleblowing policy in place. Policy is promoted to staff and contractors.

Using their legal powers to the full benefit of the citizens and communities in their area.	Actively recognise the limits of lawful activity placed on them by, for example, the ultra vires doctrine but also strive to utilise powers to the full benefit of their communities	<ul style="list-style-type: none"> • Constitution includes legal powers • Report format covers legal implications • New legislation is monitored by Monitoring Officer and Corporate Leadership Team
	Recognise the limits of lawful action and observe both the specific requirements of legislation and the general responsibilities placed on local authorities by public law	<ul style="list-style-type: none"> • Monitoring Officer in post and member of Corporate Leadership Team • Legal implications part of standard report format
	Observe all specific legislative requirements placed upon them, as well as the requirements of general law, and in particular to integrate the key principles of good administrative law – rationality, legality and natural justice – into their procedures and decision-making processes	<ul style="list-style-type: none"> • Monitoring Officer in post and member of Corporate Leadership Team • Legal implications part of standard report format

PRINCIPLE 5: DEVELOPING THE CAPACITY AND CAPABILITY OF MEMBERS AND OFFICERS TO BE EFFECTIVE

Supporting Principles	The Code should reflect the requirement for local authorities to:	MBC Arrangements and evidence
<p>Making sure that members and officers have the skills, knowledge, experience and resources they need to perform well in their roles.</p> <p>27</p>	<p>Provide induction programmes tailored to individual needs and opportunities for members and officer to update their knowledge on a regular basis</p>	<ul style="list-style-type: none"> • Induction programme for new Members • Annual Professional Development Plan for Members • Briefing Sessions for Members • Learning and Development Programme in place for Officers
	<p>Ensure that the statutory officers have the skills, resources and support necessary to perform effectively in their roles and that these roles are properly understood throughout the authority</p>	<ul style="list-style-type: none"> • Job description/personal specifications membership of Corporate Senior Leadership team • Annual performance appraisal • Continuing professional development supported
<p>Developing the capability of people with governance responsibilities and evaluating their performance, as individuals and as a group.</p>	<p>Assess the skills required by Members and officers and make a commitment to develop those skills to enable roles to be carried out effectively</p>	<ul style="list-style-type: none"> • Training Plans for Members and Officers • Investors in People accreditation (assessed as Silver in 2013) • Annual central training budget • Training Plans in place • Officer review through Personal Appraisals Process. • Extensive officer Training Plan cascading from PAP process
	<p>Develop skills on a continuing basis to improve performance, including the ability to scrutinise and challenge and to recognise when outside expert advice is needed</p>	<ul style="list-style-type: none"> • Training and development plan reflect requirements of a modern Councillor including: • Training Plans in place • Member development policy in place. • Regular training for Councillors
	<p>Ensure that effective arrangements are in place for reviewing the performance of Committees and of individual members and agreeing an action plan which might, for example, aim to address any training or development needs.</p>	<ul style="list-style-type: none"> • Performance management system • Delivery of Key Performance Indicators regularly reported • Member development policy in place

Encouraging new talent for membership of the authority so that best use can be made of individuals' skills and resources in balancing continuity and renewal.	Ensure that effective arrangements designed to encourage individuals from all sections of the community to engage with, contribute to and participate in the work of the Authority	<ul style="list-style-type: none"> • Communication and Engagement plan in place • Consultation undertaken for key strategies eg Economic Development Strategy, Medium Term Financial Strategy
	Ensure that career structures are in place for members and officers to encourage participation and development	<ul style="list-style-type: none"> • Succession planning policy in place • Service structure in place • Workforce Strategy

PRINCIPLE 6. ENGAGING WITH LOCAL PEOPLE AND OTHER STAKEHOLDERS TO ENSURE ROBUST PUBLIC ACCOUNTABILITY

Supporting Principles	The Code should reflect the requirement for local authorities to:	MBC Arrangements and Evidence
Effectively engaging local people and all local institutional stakeholders, including partnerships, and develops constructive accountability relationships.	Make clear to themselves, all staff and the community to whom they are accountable and for what	<ul style="list-style-type: none"> • Community strategy in place • Annual Report • Strong consultation processes.
	Consider those institutional stakeholders to whom the Authority is accountable and assess the effectiveness of the relationships and any changes required	<ul style="list-style-type: none"> • Communication and Engagement Strategy in place and reviewed. • Complaints procedure and reporting arrangements in place
Taking an active and planned approach to dialogue with and accountability to the public to ensure effective and appropriate service delivery whether directly by the authority, in partnership or by commissioning.	Ensure that clear channels of communication are in place with all sections of the community and other stakeholders, and put in place monitoring arrangements to ensure that they operate effectively	<ul style="list-style-type: none"> • Community Strategy in place and reviewed • Communication and Engagement Plan in place • Consultation on issues such as Budget options
	Hold meetings in public unless there are good reasons for confidentiality	<ul style="list-style-type: none"> • Policy of holding meetings in public • All public meetings are webcast
	Ensure that arrangements are in place to enable the Authority to engage with all sections of the community effectively. These arrangements should recognise that different sections of the community have different priorities and establish explicit processes for dealing with these competing demands	<ul style="list-style-type: none"> • Communication and Engagement Strategy in place and reviewed

	Establish a clear policy on the types of issues they will meaningfully consult on or engage with the public and service users about including a feedback mechanism for those consultees to demonstrate what has changed as a result	<ul style="list-style-type: none"> • Communication and Engagement Strategy in place and reviewed
	On an annual basis, publish a performance plan giving information on the Authority's vision, strategy, plans and financial statements as well as information about its outcomes, achievements and the satisfaction of service users in the previous period	<ul style="list-style-type: none"> • Annual Performance Plan produced • Annual financial statements agreed by Council • All available on website
	Ensure that the Authority as a whole is open and accessible to the community, service users and its staff and ensure that it has made a commitment to openness and transparency in all its dealings, including partnerships, subject only to the need to preserve confidentiality in those specific circumstances where it is proper and appropriate to do so	<ul style="list-style-type: none"> • Local Code of Corporate Governance adopted and reviewed annually • Constitution
Making best use of human resources by taking an active and planned approach to meet responsibility to staff.	Develop and maintain a clear policy on how staff and their representatives are consulted and involved in decision making	<ul style="list-style-type: none"> • Constitution • Workforce Strategy agreed • Staff Forum and Manager's Group in place • Employment Panel in place

Audit, Governance and Standards Committee

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

No

Annual Governance Statement 2014-15

Final Decision-Maker	Policy and Resources
Lead Director or Head of Service	Chief Executive
Lead Officer and Report Author	Angela Woodhouse
Classification	Non-exempt
Wards affected	

This report makes the following recommendations to the final decision-maker:

1. To review the Annual Governance Statement and approve it prior to signing by the Leader and Chief executive

This report relates to the following corporate priorities:

- Great Place: Keeping Maidstone Borough an attractive place for all
- Great Opportunity: Securing a successful economy for Maidstone Borough
- Great People: Our mission "Putting People First"

Timetable

Meeting	Date
Audit, Governance and Standards Committee	20 July 2015
Policy and Resources Committee	29 July 2015
Council	N/A
Other Committee	N/A

Annual Governance Statement 2014-15

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Attached at **Appendix A** is the Annual Governance Statement for 2014-15, the purpose of the Annual Governance Statement is to provide assurance on the council's governance arrangements.
 - 1.2 The statement is a look back at the arrangements for 2014-15 with an action plan identified for 2015-16.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 The Council produces an Annual Governance Statement (AGS) to accompany the statement of the accounts. The AGS will go to the Audit, Governance and Standards Committee on the 20th of July for approval prior to agreement by Policy and Resources Committee and signing by the Leader and Chief Executive.
 - 2.2 The Accounts and Audit (England) Regulations 2011 recognise the Annual Governance Statement as a key statement in its own right. To this end it is no longer required to be "included in" the Statement of Accounts. From 31st March 2011 the regulations require that the Annual Governance Statement "accompanies" the Statement of Accounts instead.
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3. AVAILABLE OPTIONS

- 3.1 The Annual Governance Statement is a necessary part of the Statement of Accounts and must, therefore, be considered by the Audit, Governance and Standards Committee prior to Policy and Resources Committee's approval. It is possible for Councillors to disagree with the details of the Statement, to ask for further details to be included or evidence to be produced. However, the statement is signed by the Chief Executive and the Leader of the Council and must accompany the Statement of Accounts to be agreed by Audit Committee before the end of September 2015.
- 3.2 The Annual Governance Statement can be presented in any way the Council deems appropriate. The format was last reviewed in 2013 in-line with guidance from Grant Thornton our External Auditors, namely that the statement should not repeat the local code of governance. It should have user friendly language and layout with more emphasis on significant governance or control issues that arise in earlier sections of the document. Grant Thornton publish guidance annually and this has been considered in the development of this year's statement. Future options could be combining the AGS with the Council's Annual report for example.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Annual Governance Statement Attached at **Appendix A**, looks back at the governance assurance in place for 2014-15 as such it makes reference to the Cabinet and Scrutiny Committee system. Where appropriate the new governance arrangements have been referenced.
- 4.2 The AGS covers: the Council's responsibilities, the purpose of the governance framework, the framework we have in place and a review of our effectiveness for 2014-15.
- 4.3 Last year action was taken in regard to improving our communication and engagement, reviewing our approach to risk management and making changes to improve information management.
- 4.4 In terms of future issues the Corporate Governance Group has identified the embedding of the risk management framework recently approved by Policy and Resources Committee, implementation of the communication and engagement strategy, the new governance arrangements and disaggregation of the Planning Support Shared Service.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The Head of Internal Audit Partnership, the Monitoring Officer and the Section 151 Officer have reviewed the plan.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 The statement once agreed by the Policy and Resources Committee will be signed by the Leader and Chief Executive. It will be made available on the Council's website and shared with our External Auditors alongside the statement of accounts.
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7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	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.	Head of Policy and Communications
Risk Management	The AGS considers and gives assurance on the Council's approach to risk management.	
Financial	N/A	[Section 151 Officer & Finance Team]
Staffing	N/A	Head of Policy and Communications
Legal	The Annual Governance Statement assists the Council in having good corporate governance arrangements which are essential in ensuring robust and lawful decision-making and therefore minimising the risk of legal challenge.	Team Leader Corporate Governance
Equality Impact Needs Assessment	N/A	Policy & Information Manager
Environmental/Sustainable Development	N/A	[Head of Service or Manager]
Community Safety	N/A	[Head of Service or Manager]
Human Rights Act	N/A	[Head of Service or

		Manager]
Procurement	N/A	[Head of Service & Section 151 Officer]
Asset Management	N/A	[Head of Service & Manager]

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix A: Annual Governance Statement 2014-15

9. BACKGROUND PAPERS

None

Annual Governance Statement

2014/15

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 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 updated in 2015 as part of the development of the new constitution. 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 on-going 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 2015 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. The Head of Policy and Communications is responsible for Corporate Governance. A small working group made up of the Head of Finance and Resources, the Head of Legal Partnership (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 the key strands of governance and the documents and actions represented within each.
- 3.3 The Governance Framework is based on the CIPFA/SOLACE six principles of effective governance

69

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 2014-15

Principle	Governance Mechanism (what we are doing)	Assurance
<p>Focusing on the purpose of the authority and on outcomes for the community and creating and implementing a vision for the local area</p>	<ul style="list-style-type: none"> 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 in 2014 facilitates the effective planning of service delivery, including the identification of risks, and budget requirements. Policy and Resources will revisit this in 2015. Performance Management of delivering our priorities and services is achieved through 'Reach the Summit' and the Council's Performance Plan and Scrutiny Committees for 2014-15. 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 	<ul style="list-style-type: none"> The Sustainable Community Strategy was developed following consultation with residents and engagement in events to determine the priorities and vision for the borough. 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. In the future will be reported to Policy and Resources Key Performance Indicator outturns are subject to review by Cabinet, Overview and Scrutiny committees and ultimately, by full Council. This role will be undertaken by Policy and Resources in 2015-16. Annual STRIVE staff awards based on our values.

A new Strategic Plan for 2015-2020 was developed and approved in 2015

Principle	Governance Mechanism (what we are doing)	Assurance
	<p>toolkit is utilised to develop and monitor major projects.</p> <p>The Council developed and approved a new constitution in April 2015</p>	<ul style="list-style-type: none"> • The project board comprising CLT considers the major projects currently being undertaken by the Council at a strategic level and ensures resources are applied and actions taken to maintain control over all such projects.
<p>Members and Officers working together to achieve a common purpose with clearly defined functions and roles</p>	<ul style="list-style-type: none"> • 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 responsibilities of the new Service Committees and Audit Committees. • A well established and effective Audit Committee and Overview and Scrutiny function for 2014-15. 	<ul style="list-style-type: none"> • The constitution is kept under 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 during 2014-15 and the Council changed to a Committee System of governance in May 2015. • For 2014-15 a protocol was 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
	<ul style="list-style-type: none"> • Effective Audit function. • 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. 	<ul style="list-style-type: none"> • The Internal Audit partnership externally assessed as fully conforming with the Public Sector Audit Standards. • 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. A register of all delegations for Officers will be held centrally by the Monitoring Officer to ensure consistency. • Update on the Corporate Improvement Programme reported to Cabinet twice a year. This will be reviewed by Policy and Resources in 2015-16.

Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> • Code of Corporate Governance in place. 	<ul style="list-style-type: none"> • The Local Code of Corporate Governance was reviewed and updated in July 2014.
<p>Promoting values for the authority and demonstrating the values of good governance through upholding high standards of conduct and behaviour</p>	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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 Assessments are carried out to demonstrate equalities being taken into account in our decision making. In 2013 Audit reviewed our

Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> HR procedures and systems are in place for disciplinary and capability management 	<p>compliance with the Public Sector Equality Duty which was followed by a public sector equality duty self-assessment and a peer review in 2014-15.</p> <ul style="list-style-type: none"> Corporate Equality Policy. <p>We will be setting new equality objectives in 2015.</p>
<p>Taking informed and transparent decisions which are subject to effective scrutiny and managing risk</p>	<ul style="list-style-type: none"> The Council agreed to review the governance arrangements in September 2014. In December 2014 a new Committee System was approved for 2015 onwards. 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. 	<ul style="list-style-type: none"> 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 <p>A new Risk Management framework was agreed by Policy and Resources in June 2015.</p> <ul style="list-style-type: none"> Risk assessments for service plans are logged in covalent <p>Risks are being identified by services for 2015-2016</p>

Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> • Open meetings and webcasting. • Transparent and Evidence based decision making. 	<ul style="list-style-type: none"> • 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	<ul style="list-style-type: none"> • 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. • A well-established staff appraisal process is in place and guidance and training is available for all staff and managers. 	<ul style="list-style-type: none"> • The council was assessed as level Silver for IiP in 2013. • Regular Member seminars and workshops. • The Employment and Member Development Panel reviewed the development programme and budget for Members annually this will now pass to the Democracy Committee. • Appraisals are held at mid-year and end of year points with all staff, they include a section to

We will be reviewing our webcasting in 2015-16

The new Democracy Committee has responsibility for Member Development and will be reviewing this in 2015-16.

Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> • Workforce Strategy 	<p>identify development needs.</p> <ul style="list-style-type: none"> • Service delivery by trained and experienced people. • Regular reports to the Member and Employment Development Panel.
Engaging with local people and other stakeholders to ensure robust public accountability	<ul style="list-style-type: none"> • 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. • Engagement with stakeholders through various groups such the older person's forum. • 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. • Annual consultation with residents on our budget. 	<ul style="list-style-type: none"> • Consultation feedback for example from the budget and Local Plan development. • Focus groups to inform policies and plans as they develop. • Cabinet Roadshows in 2014 on the Budget and Strategic Plan. • Series of events and consultation via survey for the Economic Development Strategy. • A new Communication and Engagement Strategy was agreed in 2015. • Community Development Strategy • 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

Principle	Governance Mechanism (what we are doing)	Assurance
	<ul style="list-style-type: none"> • We carry out a survey of residents every other year. • We launched a new website in 2013. • We ran 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. 	<p>community.</p> <ul style="list-style-type: none"> • Budget Roadshows and/or online consultation. • Resident Survey • Website tested by residents to ensure it is user friendly. • Neighbourhood action was 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 2014/15 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 (Mid Kent Audit) has been provided since 2010 through 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 will be presented to the Audit Committee on 20 July 2015 in the Internal Audit Annual Report. This report includes the Head of Internal Audit Opinion, issued in line with Public Sector Internal Audit Standards and covering the period 1 April 2014 to 31 March 2015.
- 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 2014/15. The Head of Audit Partnership issued an unqualified opinion:

4.5 Internal control

- 4.5.1 *"From the Internal Audit work undertaken in relation to 2014/15 it is my opinion that I can provide assurance that the system of internal control that has been in place at Maidstone Borough Council (the Council) for the year ended 31 March 2015 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review."*

4.6 Corporate governance

- 4.6.1 *"In my opinion the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE."*

4.7 Risk management

- 4.7.1 *"I am satisfied that the risk management processes are effective and provide regular information on key risks and issues to the Council's management team and through to Members."*

4.8 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:

Level of Assurance	Description	Number of Projects
STRONG	Service/system is performing well	4
SOUND	Service/system is operating effectively	11
WEAK	Service/system requires support to consistently operate effectively	4
POOR	Service/system is not operating effectively	0
NOT RATED		10

49

4.9 Of the four reports which received weak assurance:

- ICT Service Desk (Mid Kent ICT):** The audit highlighted inconsistencies in how incidents are logged, categorised and handled. The service lacked defined procedures and guidance to ensure service delivery in accordance with the ICT collaboration agreement. All recommendations were accepted and the service has taken part in a special meeting of the shared service board dedicated to addressing the issues raised. The recommendations fall due for implementation in 2015/16 and will be fully followed up by the internal audit team.
- Emergency Planning:** The audit highlighted weaknesses in the plans and processes leaving the Council potentially vulnerable in being able to deal effectively with larger or more sustained events. Over the course of the year, the service has made significant progress to implement the recommendations and address the issues identified in the review. At the close of 2014/15 there were 2 outstanding recommendations due to be implemented in early 2015/16. The level of assurance offered will be re-assessed in early 2015/16.
- Data Protection:** The audit highlighted some areas of non-compliance with the data protection principles. This included uncertainty on retention and destruction of data, and weaknesses in processing, receiving and transporting data. All of the recommendations were accepted by management, and an action plan was reviewed by the Council's Information

Management Group. The recommendations fall due for implementation in 2015/16 and will be fully followed up by the internal audit team.

- **Officers Declarations of Interest:** The audit identified weaknesses in the design and operation of system and procedures to collect and monitor officer's interests. Since the review responsibility for the declarations process has been allocated to the Council's Monitoring Officer and Mid Kent Legal Services. All recommendations were accepted and fall due in 2015/16 for follow up.

- 4.10 During 2014/15 a revised follow up process was implemented. All agreed audit recommendations are now followed up as they fall due, and are reported quarterly to senior management. Progress against the implementation of the audit recommendations is also reported twice yearly to Audit Committee. Progress made to date with those reviews that received weak assurance will be monitored in the action plan for 2015/16 in section 5.
- 4.11 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).
- g12 A number of areas were identified in the proceeding statement where action is required these have been included within our significant governance issues for 2015-16 action plan below.

5 SIGNIFICANT GOVERNANCE ISSUES

Action taken to address governance issues in 2014-15

51

Governance Issue	Action Taken	By When	By Whom
Implementation of the Information Management Action Plan	<p>The Information Management Strategy has been to Leadership Team including an action plan and resources required.</p> <p>Information Management Group meet regularly.</p> <p>Information liaison Officers identified throughout the Council.</p> <p>Intranet pages and guidance updated for Information Management.</p>	The action plan has targets for the next year.	Head of Policy and Communications
Embedding Corporate Governance and Ensuring Best Practice is identified	<p>The Corporate Governance Working Group have met quarterly.</p> <p>The Head of Policy and Communications is undertaking a CIPFA certificate in corporate governance certificate and has been sharing learning from this with the group and the Chief Executive to</p>	Quarterly meetings with updates to Audit Committee and CLT every six months.	Head of Policy and Communications

Governance Issue	Action Taken	By When	By Whom
	improve governance.		
A new Communication and Engagement Strategy will be put in place to run from 2015-2020 alongside the Strategic Plan	Strategy Approved and Action Plan in progress.	April 2015	Head of Policy and Communications
The residents survey identified that more work needed to be done on developing residents involvement in decision making as only 29% of respondents believe they can influence decision making in their area.	<p>The council held several events to engage residents including the budget and strategic plan roadshow and events and consultation on the Economic Development Strategy.</p> <p>The Strategic Leadership and Corporate Services Overview and Scrutiny Committee held a session to consider actions to increase resident involvement in decision making.</p>	April 2015	Head of Policy and Communications
Updating the Strategic Risk Register	The Council has agreed a new approach to Strategic Risk Management.	June 2015	Policy and Resources Committee
Audit Reviews with Limited Assurance: Housing	Action Plans have been put in place and reported to the Audit Committee.	Reported during 2014-15	Head of Housing and Community Services

Governance Issue	Action Taken	By When	By Whom
Freedom of Information Museum Collections			Head of Policy and Communications Head of Commercial and Economic Development

Actions for 2015-16 as identified in the current Annual Governance Statement

53

Governance Issue	Action	By When	By Whom
Implementation of the Information Management Action Plan	The Information Management Strategy has been to Leadership Team including an action plan and resources required.	Actions completed as timetabled throughout 2015-16	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.	Head of Policy and Communications
Communication and Engagement of the New Strategic Plan	Strategy and annual Action Plan approved Engagement Plan in place for Employees.	Action plan covers 2015-16	Head of Policy and Communications Learning and Development Manager
The residents survey identified that more work needed to be done on developing residents	The Communication and Engagement action plan for 2015-16 includes actions to run you said we did campaigns.	Action plan covers 2015-16	Head of Policy and Communications

Governance Issue	Action	By When	By Whom
<p>involvement in decision making as only 29% of respondents believe they can influence decision making in their area.</p>	<p>The plan also includes actions to promote the new committee system of governance including public question time at meetings.</p> <p>Webcasting is being reviewed including looking at how to have more resident engagement in meetings.</p> <p>There will be a resident survey in Autumn 2015 to which will identify the progress that has been made.</p>		
<p>Updating the Strategic Risk Register</p>	<p>A framework has now been approved and risks now need to be identified and managed.</p> <p>Audit attendance at service management meetings and project boards across the Council to develop service/project risk registers.</p> <p>Based on the strategic plan, risk workshop with senior officers and Members looking to refresh and update the 'strategic' risks.</p>	<p>June 2015</p> <p>July-October 2015</p> <p>Autumn 2015</p>	<p>Director of Environment and Shared Services supported by the Head of Audit Partnership</p>

Governance Issue	Action	By When	By Whom
	<p>First comprehensive risk register compiled by audit.</p> <p>First summary risk register review by Corporate Leadership Team.</p> <p>First summary risk register review by Policy and Resources.</p> <p>Risks refreshed as part of revised service planning process.</p> <p>Audit, Governance and Standards Committee review of effectiveness of the risk management process.</p>	<p>November 2015</p> <p>December 2015</p> <p>January 2016</p> <p>Spring 2016</p> <p>Spring/Summer 2016</p>	
Disaggregation of Planning Support Shared Service	Tunbridge Wells Borough Council (TWBC) is exploring withdrawal from the Mid Kent Planning Support partnership. A Planning Support Disaggregation Board has been set up to manage this. Tunbridge Wells will be considering an in-principle decision to withdraw from the partnership on 6 August 2015.	Updates will be given to Councillors via the relevant Service Committee.	Director of Environment and Shared Services
Audit Reviews with weak Assurance.	Action Plans and implementation dates have been put in place and agreed. Three are of particular interest in relation to governance are Data Protection and Emergency	<p>Actions to be followed up as they fall due.</p> <p>To be reviewed as part of the six monthly</p>	<p>Head of Policy & Communications</p> <p>Director of Environment and Shared Services</p>

Governance Issue	Action	By When	By Whom
	Planning Audits.	review of the annual governance statement action plan	
New Committee System of Governance	A review of the effectiveness of the new system to identify what is working well and any improvements that need to be made will be carried out by the Democracy Committee in early 2016, this could involve external assistance if appropriate.	March 2016	Cabinet and Corporate Leadership Team
Appointment of Mayor	The Democracy Committee will be carrying out a review of the process for appointing the Mayor.	February 2016	Democracy Committee supported by Democratic Services

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 annually

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 online](#)

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

Audit, Governance & Standards

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Audit Committee Annual Report 2014/15

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Director or Head of Service	Rich Clarke - Head of Audit Partnership
Lead Officer and Report Author	Russell Heppleston – Audit Manager
Classification	Non-exempt
Wards affected	N/A

This report makes the following recommendations to the final decision-maker:

1. That the Committee **agree** the Audit Committee Annual Report for 2014/15
2. That the Chairman of this Committee provides the report to a meeting of the full Council to demonstrate how the Audit Committee discharged its duties

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

The Audit, Governance & Standards Committee must obtain assurance on the control environment of the Council. The internal control environment comprises the whole network of systems and controls established to manage the Council and meet its objectives. It includes financial and other controls, and arrangements for ensuring the Council achieves value for money from its activities.

Timetable

<i>Meeting</i>	<i>Date</i>
Policy and Resources Committee	N/A
Council	TBC
Other Committee	Audit, Governance & Standards – 13 July 2015

Audit Committee Annual Report 2014/15

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The report demonstrates that the Audit Committee effectively discharged its duties during 2014/15. The report provides assurance to the Council that important internal control, governance and risk management issues were monitored and addressed by that Committee.
 - 1.2 The report is a retrospective review of the activity of the Audit Committee and therefore refers to that Committee's terms of reference prior to the establishment of the Audit, Governance & Standards Committee in 2015/16.
 - 1.3 The report seeks to provide additional assurance to support the Annual Governance Statement.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 The Audit Committee was required to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and scrutinise associated strategy and policy. This reports sets out how this was achieved during 2014/15.
 - 2.2 This will be the final year that a report will be published on the annual activity of the Audit Committee. Future reports will reflect the new terms of reference for the Audit, Governance and Standards Committee.
-

3. AVAILABLE OPTIONS

- 3.1 The production and presentation of an annual report was required by the Audit Committee's terms of reference. Therefore no other alternative options can be recommended.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The annual Audit Committee report provides the Council with assurance that important governance and risk issues are monitored and addressed. As this report is required by the Committee's terms of reference the preferred option is outlined within the recommendations of this report.
-

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The report will be discussed and agreed with the Audit, Governance & Standards Committee. There has been no prior consultation or committee feedback.

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

6.1 To maintain consistency with previous years, we recommend that the Chair of Audit, Governance & Standards Committee present the final report to Full Council.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	None identified at this stage.	
Risk Management	The role of the Audit Committee requires it to consider the effectiveness of the Councils risk management arrangements.	
Financial	The role of the Audit Committee includes the review of the financial reports for the Council, including the approval of the Annual Statement of Accounts.	
Staffing	None identified at this stage.	
Legal	None identified at this stage.	
Equality Impact Needs Assessment	None identified at this stage.	
Environmental/Sustainable Development	None identified at this stage.	
Community Safety	None identified at this stage.	
Human Rights Act	None identified at this stage.	
Procurement	None identified at this stage.	
Asset Management	None identified at this stage.	

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix I: Audit Committee Annual Report 2014/15
-

9. BACKGROUND PAPERS

None

Audit Committee Annual Report 2014/15

Maidstone Borough Council



Introduction

Maidstone Borough Council understands and supports the value of having an independent Audit Committee as an essential component of the Council's governance framework.

At the end of 2014/15 the Council changed its governance processes which, as a consequence, decommissioned the Audit Committee. The bulk of the Audit Committee's governance responsibilities have transferred to the Audit, Governance & Standards Committee from 2015/16. This report focusses on the Audit Committee as constituted in 2014/15 and so uses the past tense, but the essential governance work it undertook continues.

The Maidstone Audit Committee comprised five members whose key purpose was to monitor audit activity (internal and external), review and comment on the effectiveness of the Council's regulatory framework and review and approve the Council's annual statements of accounts and scrutinise associated strategy and policy

The Committee was independent from the Council's Executive and Scrutiny functions and had clear reporting lines and rights of access in order to discharge its responsibilities in line with its terms of reference. This included direct access to the Council's Appointed Auditor and Head of Internal Audit where appropriate.

The Committee held, developed and maintained skills, interests and knowledge in finance and risk management, accounting concepts, standards and regulation. It was required to provide independent and unbiased scrutiny to promote apolitical discussion, as well as maintain ability to challenge the Executive and senior officers of the Council when required.

The Committee **was not a substitute for the Executive function** in the management of internal or external audit, risk management, governance, or any other review or assurance function. It was the Committee's role to examine these functions, and to offer views and recommendations on the way the management of these functions is conducted.

There are many benefits to be gained from an effective Audit Committee. In fulfilling its role the Committee will:

- raise greater awareness of the need for internal control and the implementation of audit recommendations;
- increase public confidence in the objectivity and fairness of financial and other reporting;
- reinforce the importance and independence of internal and external audit and any other similar review process (for example, providing a view on the Annual Governance Statement);

Terms of Reference

The Committee's detailed Terms of Reference were set out in the Council's constitution and are based on the Chartered Institute of Public Finance and Accounting (CIPFA) model.

In summary, the Audit Committee's core responsibility was providing independent assurance to the Council in relation to the areas of governance. Its core functions were to:

1. Consider the effectiveness of the Authority's risk management arrangements, the control environment and associated anti-fraud and anti-corruption arrangements.
2. Seek assurances that action is being taken on risk-related issues identified by auditors and inspectors.
3. Be satisfied that the authority's assurance statements, including the Annual Governance Statement, properly reflect the risk environment and any actions required to improve it.
4. Approve (but not direct) internal audit's strategy, plan and monitor performance.
5. Review summary internal audit reports and the main issues arising, and seek assurance that action has been taken where necessary.
6. Receive the annual report of the Head of Internal Audit Partnership.
7. Consider the reports of external audit and inspection agencies.
8. Ensure that there are effective relationships between external and internal audit, inspection agencies and other relevant bodies, and that the value of the audit process is actively promoted.
9. Review the financial statements, external auditor's opinion and reports to members, and monitor management action in response to the issues raised by external audit.

Membership

The Audit Committee comprised five Members. The Committee met on five occasions in 2014/15. Audit Committee meetings were held in public, and members of the Council and the public were welcome to attend. All of the Audit Committee agenda papers and minutes are available on the Council's [website](#).

Committee Attendance 2014/15

	14 July 2014	15 Sept 2014	24 Nov 2014	25 Jan 2015	30 Mar 2015
Audit Committee Members					
Cllr Alistair Black (Chairman)	✓	✓		✓	✓
Cllr Dan Daley (Vice- Chairman)	✓	✓	✓	✓	✓
Cllr Paul Harper	✓	✓	✓		✓
Cllr Thomas Long	✓	✓	✓		
Cllr John Perry	✓	✓	✓	✓	✓
Substitute Members					
Cllr Derek Butler			✓		
Cllr Clive English				✓	

The Audit Committee was well supported throughout the year by both Members and Officers. Regular attendees to the Audit Committee meetings included:

Officers
Director of Regeneration & Communities
Head of Finance & Resources
Chief Accountant
Head of Audit Partnership
Audit Manager
Head of Policy & Communications
Head of Mid Kent Revs & Bens
Benefit Fraud Team Manager
External Audit – Grant Thornton
Maidstone BC Audit Manager
Engagement Lead
Democratic Services
Democratic Services Officers

The Committee also had the right to call any other officers of the Council as required.

Reports Considered by the Committee

The Committee considered the following reports during 2014/15:

Report	14 July 2014	15 Sept 2014	24 Nov 2014	25 Jan 2015	30 Mar 2015
Local Code of Corporate Governance	✓				
Annual Governance Statement	✓				
Benefit Fraud Annual Report 13/14	✓				
Audit Committee Annual Report 13/14	✓				
Internal Audit Annual Report 13/14	✓				
Internal Audit Process Refresh 14/15	✓				
Statement of Accounts 13/14	✓				
Treasury Management Performance 13/14	✓				
External Audit Fees 14/15	✓				
External Auditors Audit Plan 13/14	✓				
Audit Committee Progress Report – Grant Thornton	✓				
Irrecoverable Business Rates		✓			
Internal Audit – Follow-up Report Update		✓			
External Auditor’s Audit Findings Report 2013/14		✓			
Annual Governance Statement Action Plan Update			✓		
Member Development Programme			✓		
Treasury Management Strategy Mid-Year Performance 14/15			✓		
External Auditor’s Annual Audit Letter			✓		
Audit Committee Update – Grant Thornton			✓		
Grant Claim Certification Report 13/14				✓	
Interim Internal Audit Report 14/15				✓	
Budget Strategy 15/16 Onwards – Risk Assessment				✓	
Treasury Management Strategy 15/16				✓	
Audit Committee Update – Grant Thornton				✓	
External Audit – “Understanding how the Audit Committee gains assurance from management”					✓
Audit Plan 14/15 – Grant Thornton					✓

Report	14 July 2014	15 Sept 2014	24 Nov 2014	25 Jan 2015	30 Mar 2015
Audit Committee Update – Grant Thornton					✓
Internal Audit Operational Plan 2015/16- 2018/19					✓
Internal Audit Charter					✓
Audit Committee Work Programme		✓	✓	✓	

Reports Considered by the Committee

The Audit Committee considered the following areas to assist it in gaining assurance of the internal control, governance and risk management arrangements within the Council as part of its annual work programme:

Risk Management

In July 2014 the Committee considered the adoption of the risk based audit planning process and a revised internal audit process and assurance levels.

In July 2014 the Committee considered the Benefit Fraud Annual report 2013/14, including summary of fraud prevention and detection activity.

In March 2015 the Committee considered the operational audit plan for 15/16 - 18/19. The report set out the risk based audit planning process in compliance with the Public Sector Internal Audit Standards (PSIAS).

Internal Control

In March 2015 the Committee considered the Internal Audit Charter including substantial revisions as per PSIAS.

In January 2015 the Committee considered the Internal Audit interim report including a summary of audit findings and overall assessment of controls.

In September 2014 the Committee considered the systems of control over irrecoverable business rates.

In July 2014 and November 2014 the Committee considered the Treasury Management activity reports and Prudential Indicators.

Audit Activity

In July 2014 the Committee considered the Head of Audit Partnerships Annual Report for 2013/14 which included the opinion on the Council's control environment and performance of the Internal Audit service against delivery of the audit plan.

Throughout the year the Committee has reviewed and considered various Internal Audit reports covering revised processes and updates. The Committee has contributed and commented to how these have been adopted to the service.

Accounts

In July 2014 the Committee approved the Annual Governance Statement for 2012/13 and reviewed progress against actions in November 2014.

In July 2014 the Committee considered the Statement of Accounts 13/14.

Throughout the year the Committee considered various reports from the External Auditor (Grant Thornton). Notably, the Committee agreed the certification of the grant claim, the Annual Audit Letter and agreed the Audit Plan and fee scales for 14/15.

Review of the Committee's Effectiveness

In partnership with its external auditors and with the support of officers the Audit Committee provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control issues. The Audit, Governance & Standards Committee concludes, therefore, that the Audit Committee appropriately and effectively fulfilled its duties for 2014/15.

2015/16 Work Programme

The Audit Committee was decommissioned for 2015/16 and the Council established an Audit, Governance & Standards Committee to, among other responsibilities, continue its essential governance work. The Terms of Reference for the Audit, Governance & Standards Committee includes the following key aspects:

- Internal control (and the work of the Council's internal and external auditors)
- Accounts
- Risk management
- Governance (including the Annual Governance Statement)
- Code of Conduct (in respect of standards)
- Complaints relating to breaches of the Cllr Code of Conduct

This Committee looks forward to taking up the new responsibilities and providing effective independent assurance as it works through its work programme for 2015/16.

Agenda Item 14

Audit, Governance & Standards

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Internal Audit Annual Report 2014/15

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Director or Head of Service	Rich Clarke - Head of Audit Partnership
Lead Officer and Report Author	Russell Heppleston – Audit Manager
Classification	Non-exempt
Wards affected	N/A

This report makes the following recommendations to the final decision-maker:

1. The Audit, Governance and Standards Committee **notes** the Head of Audit opinion and supporting work and that the opinion will inform the Council's Annual Governance Statement.
2. That the Audit, Governance & Standards Committee **notes** the effectiveness of the Mid Kent Audit service and its conformance to the Public Sector Internal Audit Standards (PSIAS).

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

The role of the Audit, Governance & Standards Committee includes the consideration of risk, controls and governance across the whole Council. The effectiveness of the Committee therefore has an impact across all of the Council's Corporate Objectives.

Timetable

Meeting	Date
Policy and Resources Committee	N/A
Council	N/A
Other Committee	Audit, Governance & Standards – 13 July 2015

Internal Audit Annual Report 2014/15

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report meets the Head of Internal Audit annual reporting requirements set out in the Public Sector Internal Audit Standards (the “Standards”), including the Head of Audit Partnership’s annual opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control, which is used to inform the Annual Governance Statement 2014/15.
- 1.2 The Standards, particular Standard 2450: Overall Opinions, direct that the annual report must incorporate:
 - The annual internal audit opinion on the overall adequacy and effectiveness of the organisation’s framework of governance, risk management and control;
 - A summary of the work completed that supports the opinion; and
 - A statement on conformance with the Public Sector Internal Audit Standards and the results of the quality assurance and improvement programme.

2. INTRODUCTION AND BACKGROUND

- 2.1 Internal Audit is a required service under the Accounts & Audit Regulations 2011. The principal objective of Internal Audit is to examine and evaluate the adequacy of the Council’s systems of internal control, risk management and corporate governance.
- 2.2 As those charged with overseeing Governance, the Terms of Reference for the Audit, Governance & Standards Committee require it to ‘receive the annual report of the Head of Audit Partnership’. In order for the Committee to fulfil its duties we provide regular updates on the performance and effectiveness of the Internal Audit Service. The Council’s internal audit service is provided by Mid Kent Audit as a partnership between Swale, Maidstone, Ashford and Tunbridge Wells Borough Councils. The four way partnership has been in operation since 2010.
- 2.3 The overall scope of the Council’s audit service is set out in advance within the annual internal audit plan. During 2014/15, it was the Council’s Audit Committee (as existed at the time) that agreed the audit plan at its meeting in March 2014, and the revised plan in December 2014.
- 2.4 We have completed the audit work set out in that plan, subject to minor modifications in year in response to prevailing risks and needs of the Council, in

accordance with mandatory standards and good practice contained within the Standards. Where there is work outstanding at the time of issuing this report, the work is sufficiently advanced that the Head of Audit Partnership is satisfied its conclusions will not materially affect the Head of Audit Opinion. The final conclusions of any work outstanding will be reported to the Committee verbally during the meeting (where available) or as part of the first scheduled 2015/16 update.

3. AVAILABLE OPTIONS

- 3.1 Public Sector Internal Audit Standards demand that the Head of Audit present an annual opinion on internal control, corporate governance and risk management, and detail the work underpinning that opinion, to the organisation's audit committee (or equivalent). No other alternative action is possible while maintaining conformance with required professional standards.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit & Governance Committee **notes** the Head of Audit opinion and supporting work and that the opinion will inform the Council's Annual Governance Statement.
- 4.2 The report presents the Head of Audit opinion for 2014/15 and conclusions of work undertaken during the year. The Audit, Governance & Standards Committee is required to consider the Head of Audit Opinion and the findings of internal audit in order to meet its own requirements set out in its terms of reference.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 The Internal Audit Annual Report summarises the work of internal audit across 2014/15 which has been completed with on-going consultation to senior officers in their roles as audit sponsors and in particular the Director of Environment & Shared Service who sits as Maidstone's representative on our governing Shared Service Board.

6. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Internal Audit includes the consideration of risk, controls and governance across the whole Council. The effectiveness of which underpins all of the Council's Corporate Objectives.	
Risk Management	The report includes an unqualified opinion on the Council's risk management	

	arrangements.	
Financial	The report includes an unqualified opinion on the Council's internal controls (financial and non-financial).	
Staffing	None identified at this stage.	
Legal	None identified at this stage.	
Equality Impact Needs Assessment	None identified at this stage.	
Environmental/Sustainable Development	None identified at this stage.	
Community Safety	None identified at this stage.	
Human Rights Act	None identified at this stage.	
Procurement	None identified at this stage.	
Asset Management	None identified at this stage.	

7. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix I: **Internal Audit Annual Report 2014/15**
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8. BACKGROUND PAPERS

8.1 None

MID KENT AUDIT

**Annual
Internal Audit
Report**

April 2014 – March 2015

**Maidstone Borough
Council**



Introduction

1. Internal audit is an independent and objective assurance and consulting activity designed to add value and improve the Council's operations. It helps the Council accomplish its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes¹.
2. Authority for Internal Audit is within the Accounts and Audit Regulations 2011 that require the Council to undertake an adequate and effective internal audit of its accounting records and its systems of internal control in accordance with the 'proper practices'. From 1 April 2013 the 'proper practices' are the Public Sector Internal Audit Standards (PSIAS).
3. As required by these standards the Head of Audit Partnership must provide an annual opinion on the overall adequacy and effectiveness of the Council's framework of control, governance and risk. The opinion takes into consideration:
 - **Internal Control:** Including financial and non-financial controls.
 - **Corporate governance:** Including effectiveness of measures to counter fraud and corruption.
 - **Risk Management:** Principally, the effectiveness of the Council's risk management framework.
4. In addition, the Head of Audit Partnership must confirm to the Audit & Governance Committee at least annually, the organisational independence of internal audit activity.

Independence:

5. Mid Kent Audit is provided through a shared service partnership together with Ashford, Maidstone, Swale and Tunbridge Wells.
6. At Maidstone Borough Council, the Head of Audit Partnership has direct and unrestricted access to the Chief Executive, senior management and the Chair of the Audit, Governance & Standards Committee. This right of access is contained within and reinforced by the Audit Charter, as approved by Management and the Audit, Governance & Standards Committee
7. Organisationally the Head of Audit Partnership reports to the Director of Mid Kent Services and, through the Shared Service Board, to the Director of Environment & Shared Service who is a member of the Council's senior management team. On no occasion has the Director of Mid Kent Services, the Director of Environment & Shared Service or any member of the senior management team sought to restrict the scope of audit work or to change any report prepared by the Head of Audit Partnership.
8. We are satisfied that Internal Audit is organisationally independent and fully meets the necessary standard for independence and objectivity.

¹ This is the definition of internal audit included within the Public Sector Internal Audit Standards

Head of Audit Partnership Annual Opinion

9. This opinion statement is provided for Maidstone Borough Council (the Council) in support of its Annual Governance Statement 2015, which is published alongside the statement of accounts for the year ended 31 March 2015.

Scope of responsibility

10. The Council is responsible for ensuring its business is conducted in accordance with the law and proper practices and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively. The 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.
11. In discharging this responsibility the Council is also responsible for ensuring that there exists a sound system of internal control with allows for effective exercise of the Council's functions and arrangements for the management of risk.

The purpose of the system of internal control

12. The system of internal control is designed to manage risk to a reasonable level rather than eliminate risk of failure to achieve policies, aims and objectives. It can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an on-going process designed to identify and prioritise the risks to the achievement of the Council's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The control environment

13. The Public Sector Internal Audit Standards (the 'Standards') states that the control environment includes the following elements:
- Integrity and ethical values.
 - Management's philosophy and operating style.
 - Organisational structure.
 - Assignment of authority and responsibility.
 - Human resource policies and practices.
 - Competence of personnel.
14. In examining the control environment, I have had regard to these elements and how they support the Council's framework of governance, risk management and control.

Basis of assurance

15. Mid Kent Audit has conducted audits both in accordance with the mandatory standards and good practice contained within the Standards and additionally from our own internal quality assurance systems, which include operating to an agreed audit manual with adequate supervision and review.
16. My opinion is limited to the work carried out by Internal Audit during the year on the effectiveness of the management of those principal risks, identified within the Council's assurance framework, that are covered by Internal Audit's programme. Where principal risks are identified within the Council's framework that do not fall under Internal Audit's coverage or that are not included in Internal Audit's coverage, I am satisfied that an assurance framework is in place that provides reasonable assurance that these risks are being managed effectively.
17. Our work for the year to 31 March 2015 was completed in line with the operational plan approved by the Audit Committee (as then existed) in March 2014.

Internal control

18. From the Internal Audit work undertaken in relation to 2014/15 it is my opinion that I can provide assurance that the system of internal control that has been in place at Maidstone Borough Council for the year ended 31 March 2015 accords with proper practice. This assurance extends to both the financial and non-financial systems of the Council insofar as they have been subject to audit review.

Corporate governance

19. In my opinion the corporate governance framework complies in all significant respects with the best practice guidance on corporate governance issued by CIPFA/SOLACE.

Risk management

20. I am satisfied that the risk management processes are effective and provide regular information on key risks and issues to the Council's management team and through to Members.
21. I have based these opinions on the work outlined in the detail of this report.

Internal Control

22. The system of internal control is a process for assuring achievement of the Council's objectives in operational effectiveness and efficiency, reliable financial reporting and compliance with laws, regulations and policies. It incorporates both financial and non-financial systems.
23. We obtain audit evidence to support the Head of Audit opinion on internal control principally through completing the reviews set out within our agreed audit plan, approved by the Audit Committee in March 2014.

Summary of Audit Work – Maidstone BC 2014/15

24. The table below sets out the internal audit projects undertaken during the year, including progression of work currently in the process of being finalised. Since the plan was agreed in March 2014 there have been a number of revisions to the scheduling of audit projects over the year, therefore a list of changes to the plan is also included as part of the table:

No.	Audit Project	Brief Agreed	Fieldwork	Draft Report	Final Report	Assurance Rating
Audit Assurance Projects						
1	Business Rates Retention (Risk)	◆	◆	◆	◆	STRONG
2	Compliance with Computer Use	◆	◆	◆	◆	SOUND
3	VAT Management	◆	◆	◆	◆	SOUND
4	Members Allowances	◆	◆	◆	◆	SOUND
5	Emergency Planning	◆	◆	◆	◆	WEAK
6	Bank Reconciliation	◆	◆	◆	◆	SOUND
7	Communications & Social Networking	◆	◆	◆	◆	SOUND
8	Leisure Centre Contract	◆	◆	◆	◆	SOUND
9	Data Protection	◆	◆	◆	◆	WEAK
10	Members & Officers Declarations of Interest	◆	◆	◆	◆	WEAK
11	Payroll (Systems Audit)	◆	◆	◆	◆	STRONG
12	Waste Collection Contract	◆	◆	◆		SOUND
13	Planning Support Shared Service - Income Controls	◆	◆	◆	◆	MEMO ISSUED
14	Accounts Payable	◆	◆	◆	◆	SOUND
15	Corporate Credit Cards	◆	◆	◆	◆	SOUND
16	Business Rates (Systems audit)	◆	◆	◆	◆	STRONG
Other Projects						
17	Business Assurance Mapping	◆	◆	◆	◆	COMPLETE
18	Teammate Development: Team Central	◆	◆	◆	◆	COMPLETE
19	Individual Electoral Registration: Data Matching	◆	◆	◆	◆	COMPLETE

No.	Audit Project	Brief Agreed	Fieldwork	Draft Report	Final Report	Assurance Rating
20	Investigation Liaison Protocol	◆	◆	◆	◆	COMPLETE
21	Fraud Risk Review	◆	◆	◆	◆	COMPLETE
22	National Fraud Initiative	◆	◆	◆	◆	PHASE 1 & 2
23	Rent Accounting System	◆	◆	◆	◆	PROJECT ASSURANCE

25. The team have completed 23 projects; of which 16 include a full assessment and assurance rating. All projects had been finalised and issued at the time of drafting this report.
26. Note also that this table reflects only projects included within the Maidstone BC 2014/15 audit plan. For 2014/15 and earlier our practice when examining shared services was to distribute them between partner authority's audit plans. Although we have changed this approach for 2015/16 – shared service reports now feature in the audit plans and outcomes are reported automatically to the audit committee (or equivalent) of each partner – for 2014/15 the reviews below are also relevant to gaining an understanding of audit work completed that supports our overall view of the control environment at the Council:

No.	Audit Project	Brief Agreed	Fieldwork	Draft Report	Final Report	Assurance Rating
	Audit Assurance Projects					
1	ICT Service Desk (SBC plan)	◆	◆	◆	◆	WEAK
2	Housing Benefit System	◆	◆	◆	◆	STRONG
3	Cashless Pay & Display	◆	◆	◆	◆	SOUND
4	Council Tax System	◆	◆	◆		
	Other Projects					
5	Planning Support Project Implementation Review	◆	◆	◆	◆	N/A

27. There is one project (Council Tax) incomplete at the time of preparing this report, but we are satisfied that the work is sufficiently progressed to provide assurance that there are no matters arising that materially affect the Head of Audit Opinion. We can provide an update on the progress of this project to the Committee verbally during the meeting (where available) or as part of the first scheduled 2015/16 update.
28. We include a summary of each completed review below.

Changes to the Audit Plan

29. The Internal Audit plan needs to be flexible and reactive to the changing risks of the Council. As the needs and priorities of the Council change, assurance work is re-directed to ensure that it remains relevant and valuable. The plan is therefore reviewed regularly, and projects are removed, added or deferred accordingly. Six projects were removed from the plan as assurance could be gained from additional sources, or through internal audit fulfilling an advisory or consultative role.

Removed from the Plan (where assurance has been provided elsewhere)

No.	Head of Service	Title	Outcome	Comments
1	Head of Policy & Communication	Channel Shift Project	REMOVED	Being managed as a corporate project. Low risk.
2	Head of Environment & Public Realm	Street Cleansing	REMOVED	Internal quality assessment conducted. Low Risk.
3	Head of Policy & Communication	Information Management	REMOVED	Has been externally assessed. Low risk.
4	Head of Internal Audit Partnership	Risk Management Framework	REMOVED	This resource will be used to facilitate Risk Management Strategy work.
5	Head of Commercial & Economic Development	Commercialisation Programme	REMOVED	Head of Audit Partnership has provided guidance on risk and controls through consultation on the Commercialisation Strategy.
6	Head of Policy & Communication	Customer Services	REMOVED	External review conducted in November 2014.

30. There have been seven projects deferred or extended into 2015/16. Of these, all feature within the 15/16 audit plan approved by the Committee in March 2015.

Projects Deferred from the Plan

No.	Head of Service	Title	Outcome	Comments
1	Head of Finance & Resources	Commercial Property Development	DEFERRED	Deferred until 2015/16.
2	Head of Planning & Development	Land Charges	DEFERRED	Deferred until 2015/16.
3	Head of Planning & Development	Business Continuity Planning	DEFERRED	Deferred until 2015/16.
4	Head of Policy & Communication	Corporate Governance	DEFERRED	Deferred until 2015/16.
5	Head of Finance & Resources	Asset Management Plan	DEFERRED	Deferred until 2015/16.
6	Head of Mid Kent ICT	Business Support	DEFERRED	Deferred until 2015/16.
7	Head of Finance & Resources	Procurement	DEFERRED	Deferred until 2015/16.

Assurance Ratings Guide

Full Definition	Short Description
<p>Strong – Controls within the service are well designed and operating as intended, exposing the service to no uncontrolled risk. There will also often be elements of good practice or value for money efficiencies which may be instructive to other authorities. Reports with this rating will have few, if any, recommendations and those will generally be priority 4.</p>	<p>Service/system is performing well</p>
<p>Sound – Controls within the service are generally well designed and operated but there are some opportunities for improvement, particularly with regard to efficiency or to address less significant uncontrolled operational risks. Reports with this rating will have some priority 3 and 4 recommendations, and occasionally priority 2 recommendations where they do not speak to core elements of the service.</p>	<p>Service/system is operating effectively</p>
<p>Weak – Controls within the service have deficiencies in their design and/or operation that leave it exposed to uncontrolled operational risk and/or failure to achieve key service aims. Reports with this rating will have mainly priority 2 and 3 recommendations which will often describe weaknesses with core elements of the service.</p>	<p>Service/system requires support to consistently operate effectively</p>
<p>Poor – Controls within the service are deficient to the extent that the service is exposed to actual failure or significant risk and these failures and risks are likely to affect the Council as a whole. Reports with this rating will have priority 1 and/or a range of priority 2 recommendations which, taken together, will or are preventing from achieving its core objectives.</p>	<p>Service/system is not operating effectively</p>

Audit Review Findings

31. We have completed 18 projects relevant to the Council that included an assessment and assurance rating (15 from the Maidstone plan, and 3 shared service reviews). We include below an extract from each report supporting the conclusion of the audit. We are pleased to report that management accepted our audit findings, and set target dates for implementing the recommendations. We will follow up that implementation as the recommendations fall due over the coming months.

No.	Audit Project	Assurance Rating
1	Business Rates Retention (Risk)	STRONG
2	Compliance with Computer Use	SOUND
3	VAT Management	SOUND
4	Members Allowances	SOUND
5	Emergency Planning	WEAK
6	Bank Reconciliation	SOUND
7	Communications & Social Networking	SOUND
8	Leisure Centre Contract	SOUND
9	Data Protection	WEAK
10	Members & Officers Declarations of Interest	WEAK
11	Payroll (Systems audit)	STRONG
12	Waste Collection Contract	SOUND
13	Accounts Payable	SOUND
14	Corporate Credit Cards	SOUND
15	Business Rates (Systems audit)	STRONG
No.	Non-MBC Plan Audit Projects	Assurance Rating
16	ICT Service Desk (SBC plan)	WEAK
17	Housing Benefit System (TWBC plan)	STRONG
18	Cashless Pay & Display (SBC plan)	SOUND

1: Business Rates Retention (Risk)

32. We conclude based on our audit work that there are **STRONG** controls in place for the successful management of the risks associated with the Business Rates Retention Scheme.
33. The Council has identified and assessed the risks associated with the business rates retention scheme within its Medium Term Financial Strategy. Our testing confirmed that adequate actions exist to mitigate these risks though the current controls are not formally documented or assigned. The Council has sought to identify opportunities to maximise income through the scheme, analysing and approving appropriately where taken forward for implementation. The Council successfully manages and monitors its involvement in the Mid Kent Pool as part of the overall business rates retention scheme. The Council has additional resilience with regards to operating the scheme through the operation of the shared service.

2: Compliance with Computer Use Policy (ICT)

34. We conclude based on our audit work that there are **SOUND** controls in place to ensure the Council operates in compliance with its Computer Use Policy (the Policy).
35. Our work establishes the Policy is widely available and effectively incorporated within induction. Officers demonstrate a good awareness of the Policy both in their knowledge and day to day ICT use. The Policy is comprehensive, covering a range of ICT activity from purchase and disposal of hardware, guidance on software use and controls to monitor and inhibit unauthorised activity and connections. This is notable also because a shared Policy will soon be implemented across MKIP. However, we identified weaknesses for the Council to address in how it tracks hardware assets from purchase onto the asset register and ultimately to disposal.

3: VAT Management

36. We conclude based on our audit work that there are **SOUND** controls in place for the successful management of VAT returns in compliance with VAT legislation and the procedures adopted by HMRC.
37. Our work established that officers responsible for administering VAT have appropriate experience and knowledge to provide advice and support. Our testing also confirmed that input and output VAT is accurately accounted and allocated within the finance system. The Council prepares accurate and well evidenced VAT returns submitted each month in line with HMRC procedures. We did however identify that the Council does not currently monitor its partial exemption position in year. The Council was close to its exemption limit in 2012/13 (4.92% against a 5% limit), so a relatively small unexpected change in position could result in having to make repayments.

4: Members Allowances

38. We conclude based on our audit work that the Council has **SOUND** controls in place over the management and administration of the Members' Allowances Scheme.
39. The Council's Members' Allowances Scheme fully complies with Regulations. Allowances and expenses paid to Members are paid in accordance with the Scheme and the Council's Financial Regulations. However, the total allowances paid for 2013/14 have not been correctly reported on the Council's website and the Members Allowance Scheme does not currently include the allowances paid to the Mayor and Deputy Mayor.

5: Emergency Planning

40. We conclude based on our audit work that emergency planning has **WEAK** controls to mitigate its risks and achieve its objectives.
41. Our review satisfies us that the Council is capable of responding to emergency events, not least because of the substantial capabilities and dedication of its staff as demonstrated in the floods last winter. However, there are significant weaknesses in the underlying plans and processes which leave the Council potentially vulnerable in being able to deal effectively with larger or more sustained events and leave it disproportionately reliant on staff goodwill to deliver its Major Emergency Plan. These weaknesses include a Plan that does not fully comply with legal requirements, uncertainty on the role of staff working in partnership and a potential lack of resources – including unfilled staff posts. In addition, we identified that the Council has no asset register for emergency supplies, as well as gaps in the security and re-stocking of the assets it holds.
42. Since our review, we have followed up all but two of the audit recommendations. We are pleased to reports that to date all recommendations falling due have been implemented as agreed. We are due to follow up the final two audit recommendations in July and if implemented we will re-consider the level assurance offered by the arrangements.

6: Bank Reconciliation

43. We conclude based on our audit work that there are **SOUND** controls in place over the reconciliation processes for the Councils bank account.
44. We established that the Council conducts its bank reconciliations in compliance with its Financial Procedure Rules. We did identify some minor weaknesses on clearing suspense accounts, particularly the timeliness and level of retained evidence.

7: Communications: Social Networking

45. We conclude based on our audit work that there are **SOUND** controls in place over the management and use of the Council's external and internal communications through the use of social media.
46. The Council has a clear Social Media Policy with controls to ensure content is reviewed before publishing. The Council is making good use of its social media presence, particularly during emergency events. We did however identify some areas for improvement to ensure that the controls in the policy reflect how the controls work in practice.

8: Leisure Centre Contract

47. We conclude based on our audit work that there are **SOUND** controls for the monitoring and management of the Leisure Centre Contract.
48. Our review found that the Agreements which, taken together, describe the services to be provided at the Leisure Centre are comprehensive and support well established arrangements between the Council and SERCO (the ultimate operator). The Council has a good relationship with SERCO and Maidstone Leisure Trust (the intermediate operator). However, we did identify some areas where the Council should strengthen its monitoring arrangements to ensure continued compliance with contractual provisions.

9: Data Protection

49. We conclude based on our audit work that there are **WEAK** controls in place for achieving compliance with Data Protection requirements.
50. We established that the Council complies with some, but not all, elements of the data protection principles. Some services demonstrate a good understanding of these principles and have reasonable controls in place but such instances are isolated and arise through the diligence of individual officers rather than corporate co-ordination. The gaps we found expose the Council to increased risk of a data protection breach, which would bring further reputational and financial risks. Key areas of non-compliance include uncertainty on retention and destruction of data, including sensitive personal data. We also identified weaknesses in processing, receiving and transporting data that could result in inappropriate sharing.
51. Management have responded positively to the audit recommendations and an action plan has been considered by the Council's Information Management Group. This group consists of senior officers across the Council with expertise and responsibility for information management. We will consider progress against the audit recommendations as they fall due later in 2015.

10: Members & Officers Declarations of Interest

52. We conclude based on our audit work that there are **WEAK** controls in place to achieve compliance with the Council's Codes of Conduct (for officers and members) with regards to declarations of interest.
53. We assessed how the Council collects, records and reports declarations made by both elected members and officers. We are satisfied that how the Council manages Members' interests is sound in both design and operation to ensure statutory compliance. However, we identified weaknesses in the design and operation of the system to collect and monitor officers' interests. These weaknesses have led to the current register being limited in its utility – we found more than 300 out of date declarations – and having gaps in its compilation process such that the Council cannot currently state with confidence it is fully aware of any potential conflicts of interest.

54. To assess the effectiveness of the process in practice we undertook a data matching exercise between Member and Officer declarations against information held by Companies House. We identified 5 of 8 Member matches and 14 of 18 Officer matches were not declared, although none of the missing declarations related to organisations where the Council has a current business relationship. We have provided those details to the Monitoring Officer and Head of Policy and Communications for further review, although it is important to note that there are legitimate circumstances that would make such an interest non-declarable.
55. Since we issued our report the Council has moved in particular to address the weaknesses identified in the officers' process by placing responsibility unequivocally with the Monitoring Officer and the legal department. We will consider progress against the audit recommendations as they fall due later in 2015.

11: Payroll (Systems Audit)

56. We conclude based on our audit work that there are **STRONG** controls in operation within the Payroll service provided for Maidstone and Swale.
57. The Council manages its payroll effectively, resulting in accurate and timely payment of employees. Our testing confirms the adequacy of key controls in both design and operation as well as management of risks within the payroll system and associated processes. We have identified opportunities to enhance some of the controls within the process, such as on retaining supporting evidence for leavers and offering additional guidance on expenses.

12: Waste Collection Contract

58. We conclude based on our audit work, that there are **SOUND** controls in operation to enable effective monitoring of the Waste Collection Contract.
59. The Council and the local contractor (BIFFA) have developed a good working relationship enhanced further through working in close proximity at the Council's Depot. The parties collectively maintain appropriate evidence to demonstrate discharge of their contract management and monitoring processes.
60. Since the contract began in August 2013, the partnership, MBC, and the contractor have - for pragmatic operational reasons - developed their arrangements for contract management and monitoring with some divergence from the contract as written. The consequence is that, in some instances, operations no longer reflect the formal agreement.
61. Since 2013 a number of changes in personnel have diluted contract knowledge and understanding, meaning that the Council would benefit from undertaking further work to establish roles and responsibilities. This work will benefit the Council ahead of further changes to personnel, especially the forthcoming appointment of a new Head of Service.

13: Accounts Payable

62. We conclude based on our audit work that there are **SOUND** controls in operation within the Accounts Payable system.
63. The controls within the Accounts Payable system are designed and operate effectively. The process as a whole is well controlled and mitigates the risk of fraud and error. We identified during our testing some areas for improvement. In particular we note the sharp decline in compliance with requiring a purchase order to be raised prior to payment. While there are a range of mitigating controls continuing to limit the risks to the Council, the fact that almost a fifth of its expenditure is incurred without the required purchase order should be addressed.

14: Corporate Credit Cards

64. We conclude based on our audit work that the Council has **SOUND** controls in place to manage the risks associated with operating corporate credit cards.
65. The Council has in place appropriate arrangements to manage and control issue and use of its credit cards. This includes a well-designed and operated system, clear procedures, and appropriate safeguards to ensure that credit card spending is checked and verified prior to payment.
66. An analysis of the credit card expenditure undertaken as part of the audit found credit card usage to be in accordance with the appropriate usage requirements of the policy. However, the Council should introduce a clear procedure for return of cards from leavers to help minimise the risk of loss from fraudulent use of ex-employees' cards.

15: Business Rates (Systems Audit)

67. We conclude based on our audit work that the Business Rates system demonstrates **STRONG** controls in both design and operation.
68. The controls within the Business Rates system are effective in design and operation. The Business Rates process is well controlled and mitigates the risk of fraud and error to an acceptably low level. Management controls exist to check validity and integrity of systems information. Our testing found no areas of concern, or significant areas where the service might reasonably seek to improve.

16: ICT Service Desk (SBC Plan)

69. We conclude based on our audit work that the ICT Service Desk has **WEAK** controls to control its risks and support its objectives.
70. We found that the service offered to customers, while often prompt and efficient, has a number of issues and inconsistencies with regards to logging, prioritising and resolving calls such that we cannot be confident on its overall effectiveness. A significant number of incidents are not logged so we cannot place reliance on accuracy of service performance data. In addition, calls allocated to the Application Support Team – who are not managed by the service desk team directly - are not routinely managed or progressed resulting in a significant backlog.
71. The ability of the service to consistently deal effectively with these issues is limited by a lack of formalised and agreed procedures. Current service standards as set out in the ICT collaboration agreement do not accurately reflect how the service operates as we found Service Desk Engineers do not deal consistently with accepting, recording, and monitoring calls. The most significant inconsistency being how the Engineers record new incidents reported via the telephone.
72. Since our final report in early March, the Council has taken part in a special meeting of the shared service board dedicated to addressing the issues raised in the report. None of the recommendations have yet fallen due; although we understand good progress is being made as described in updates provided to subsequent meetings of the board.

17: Housing Benefits (Systems Audit) (TWBC Plan)

73. We conclude based on our audit work that controls within the Housing Benefit System are **STRONG** in design and operation. Based on this assessment we are able to provide assurance that the system is operating effectively and as designed.
74. We found that the controls are designed to effectively manage risks associated with administering Housing Benefit. Our testing also established that the controls operated successfully as designed throughout the year, in particular in making good use of the quality assurance module provided with the software and strong procedures for reconciling payments into the councils' finance systems. We identified two minor matters the service could consider to further improve the service; undertaking more regular review of irrecoverable debts for write-off at Maidstone and refreshing training for its officers in the identification of false documents across both sites.

18: Cashless Pay & Display (SBC Plan)

75. We conclude based on our audit work that the service has **SOUND** controls in place to manage the risks associated with the cashless pay and display system.
76. The cashless pay and display system provided by Bemrose Mobile was successfully rolled out across Maidstone and Swale in October 2014. We tested the service by phone and app, and confirm effective operation in line with the contract. The system is fully integrated to the handheld devices used by parking attendants to enable effective enforcement.
77. We found two respects where operative practice is not in line with the contract: frequency and formality of contract monitoring meetings, and timely payment of income. The Service has highlighted both issues in a recent formal remediation notice issued to the Contractor but revised procedures are not yet agreed.

Follow-up of Internal Audit Recommendations

78. In September 2014 we advised the Audit Committee of our revised process for following up agreed audit recommendations. We undertook work throughout the year to systematically follow-up on all agreed audit recommendations as they fell due. We have reported progress each quarter to senior managers. We are pleased to report that our new approach has been received positively and already developing case studies to demonstrate how an increased and systemic focus on recommendations has assisted management in making the changes agreed as arising from audit work. The table below sets out in more detail progress against specific reports with respect to recommendations falling due for implementation on or before 31 March 2015.

06

Project		Agreed Actions	Actions Completed	Actions past due date	Actions Not Yet Due
Housing Options	Limited (May 14) Substantial (Feb 15)	4	3	0	1
Museum Collections	Limited (Sept 13) Substantial (Nov 14)	13	10	0	3
Freedom of Information	Limited (Nov 13) Substantial (Nov 14)	5	3	0	2
PC & Internet Controls	Substantial	18	11	0	7
Maidstone Leisure Centre	Sound	6	1	0	5
Property Income	Substantial	6	2	0	4
CCTV	Substantial	10	7	0	3
Emergency Planning	Weak (Sept 14)	11	9	0	2
Project Management Framework	Substantial	14	12	0	2
Food Safety (Commercial)	Substantial	12	10	0	2
Compliance with Computer Use Policy	Sound	5	4	0	1
Treasury Management	Substantial	5	4	0	1
Council Tax Recovery & Enforcement	Substantial	11	10	0	1
Mid Kent HR – Recruitment	Substantial	8	7	0	1
General Ledger Feeder Systems & Journals	Substantial	3	2	0	1

Project		Agreed Actions	Actions Completed	Actions past due date	Actions Not Yet Due
Public Sector Equalities Duty	Substantial	15	15	0	CLOSED
Car Park Income & Season Tickets	Substantial	14	14	0	CLOSED
Commercial Waste	Substantial	8	8	0	CLOSED
Waste Collection Payment Processes	Substantial	3	3	0	CLOSED
Mid Kent Legal Services	Substantial	6	6	0	CLOSED
VAT Management	Substantial	2	2	0	CLOSED
Business Rates – Liability & Billing	Substantial	6	6	0	CLOSED
Business Rates Retention Scheme (Risk)	Substantial	3	3	0	CLOSED
Community Safety Grants	Substantial	2	2	0	CLOSED
Accounts Receivable	Substantial	5	5	0	CLOSED
Health & Safety	Substantial	1	1	0	CLOSED
Bank Reconciliation	Substantial	3	3	0	CLOSED
Housing Grants	Substantial	2	2	0	CLOSED
Accounts Payable	Substantial	2	2	0	CLOSED
Mid Kent HR – Payroll	Strong	3	3	0	CLOSED
TOTAL		206	170	0	36
			83% of agreed (100% of due)		17% of agreed

79. Of the 30 projects followed-up in 2014/15 three - **Museum, Housing Options, Freedom of Information** - originally received a level of assurance rating of **limited**. All three of the service areas have worked hard to address the issues raised in the audits, and to implement recommendations. We have re-tested the controls as part of the follow up and conclude that the controls now provide a **substantial** level of assurance. We will follow-up the remaining actions as they fall due in early 2015. As the reviews were assessed using the 2013/14 assurance ratings, we have for consistency, employed the same rating system for the re-assessment.

80. One project – **Emergency Planning** – received **weak** assurance rating at the time of audit. Although management have worked hard to implement the majority of actions (9 of 11) there is one high priority rated recommendation not yet implemented. The remaining recommendations fall due after the 31 March 2015. We will examine these recommendations when they are due and potentially re-assess the assurance rating, reporting our revised findings to the Committee in due course.
81. Overall, we are very pleased with the performance of management in addressing recommendations, demonstrating audit and services working closely together to help improve how the Council operates. We would like to draw particular attention to the assistance we have received from Directors in supporting the process, which represented a significant change from our previous practice and can only be effective where management are dedicated to taking appropriate action in response to our findings.

Corporate Governance

82. Corporate governance is the system of rules, practices and processes by which the Council is directed and controlled.
83. We obtain audit evidence to support the Head of Audit Opinion through completion of relevant reviews in the audit plan, as well as specific roles on key project and management groups. We also consider matters brought to our attention by Members or officers through whistleblowing and the Council's counter fraud and corruption arrangements.
84. Members will recall in our interim report in December we reported a response on the Council's behalf to a CLG consultation on secondary legislation following on from the Local Audit and Accountability Act 2014. The Government has since published its response and laid the final regulations before Parliament, confirming arrangements for collective procurement of external audit services via a 'specified person' and bringing forward the accounts publication date from 30 September to 31 July by 2018.
85. We also reported in December on a separate review commissioned by the three MKIP Chief Executives examining the implementation of the Planning Support Shared Service. The Head of Audit Partnership presented this report to a joint Overview & Scrutiny Committee meeting in February and it contained extensive commentary on the key issues faced by the project and included issues for consideration by future project boards. We are pleased that report was accepted in full by the MKIP Board who set out their plans in response to its comments. Regarding continuing governance of the shared service, we have allocated time in our 2015/16 audit plan to keep the area under review as each authority considers its role.

Counter Fraud & Corruption

86. We consider fraud and corruption risks in all of our regular audit projects as well as undertaking distinct activities to assess and support the Council's arrangements.

Investigations

87. During 2014/15 there have been no matters raised with us that required investigation.

Whistleblowing

88. The Council's whistleblowing policy nominates internal audit as one route through which Members and officers can safely raise concerns on inappropriate or even criminal behaviour.
89. We received no disclosures in 2014/15 raised through the whistleblowing policy.

National Fraud Initiative

90. We have continued to co-ordinate the Council’s response to the National Fraud Initiative (NFI). NFI is a statutory data matching exercise, and we are required by law to submit various forms of data, securely, to the Cabinet Office (who have taken on responsibility for managing NFI following the demise of the Audit Commission).
91. The 2014/15 NFI exercise included the following services:
- Creditors
 - Payroll
 - Housing Benefits
 - Licensing
 - Parking
 - Insurance
92. The NFI team then analyse this data and release it back to authorities in the form of ‘matches’ – items identified by the analysis as potentially indicative of fraud or error. These might include, for example, the same national insurance number appearing as receiving a significant amount of salary from authority A yet making a benefit claim in authority B. Another example might be repeated payments to the same supplier at the same value, potentially indicating erroneous (or even fraudulent) duplicate payments.
93. The NFI team released the data in two tranches, January and March 2015, for investigation by authorities. The matches are generally flagged as ‘high priority’ where, based on the NFI team’s experience, there is more chance of the match having identified a fraud rather than a simple error or quirk in the data. In 2015, all of the Council’s ‘high priority’ matches were within the Housing Benefit data set. The NFI team recommend that councils should seek to follow up, in the first instance, all high priority matches by September 2015. Progress to date is summarised in the table below:

Data Set	Number of Matches	Investigated / In Progress	Outcomes
Housing Benefits	1140	216	£4,204.46
Creditors (History)	685 (202 recommended)	223	0
Creditors (Standing Data)	185	185	0
Payroll	11 (6 recommended)	3	0
Licensing (Taxi)	5	0	0
Licensing (Alcohol)	0	0	0
Parking	0	0	0
Insurance	4	0	0
Market Traders	0	0	0
TOTAL	2,030	627	£4,204.46
		31%	

Risk Management

94. Risk management is the process of identifying, quantifying and managing the risks that the Council faces in attempting to achieve its objectives.
95. We obtain audit evidence to support the Head of Audit Opinion through completion of our audit plan plus continuing monitoring of and contribution to the Council's risk management processes.
96. The Council currently has 6 strategic risks in the following themes:
 - Effective Transport
 - Skills for Employment
 - Affordable Housing
 - Clean Environment
 - Reduce Deprivation
 - Value for Money
97. At present, the Council plans to revisit and update its strategic risks in 2015/16, following on from resetting its corporate priorities.
98. More widely we are currently working with the Council to help improve the process and to clarify the role of the audit service in assisting the Council's risk management. As part of this work, we will work with members and officers to develop a new risk management policy and strategy that will better guide the Council prior to reviewing and refreshing its strategic risks as well as providing clearer management for key operational risks.
99. The refreshed risk management process was approved by the Policy & Resources Committee on the 24 June 2015. We will continue to update the Audit, Governance & Standards Committee as this work progresses through 15/16.

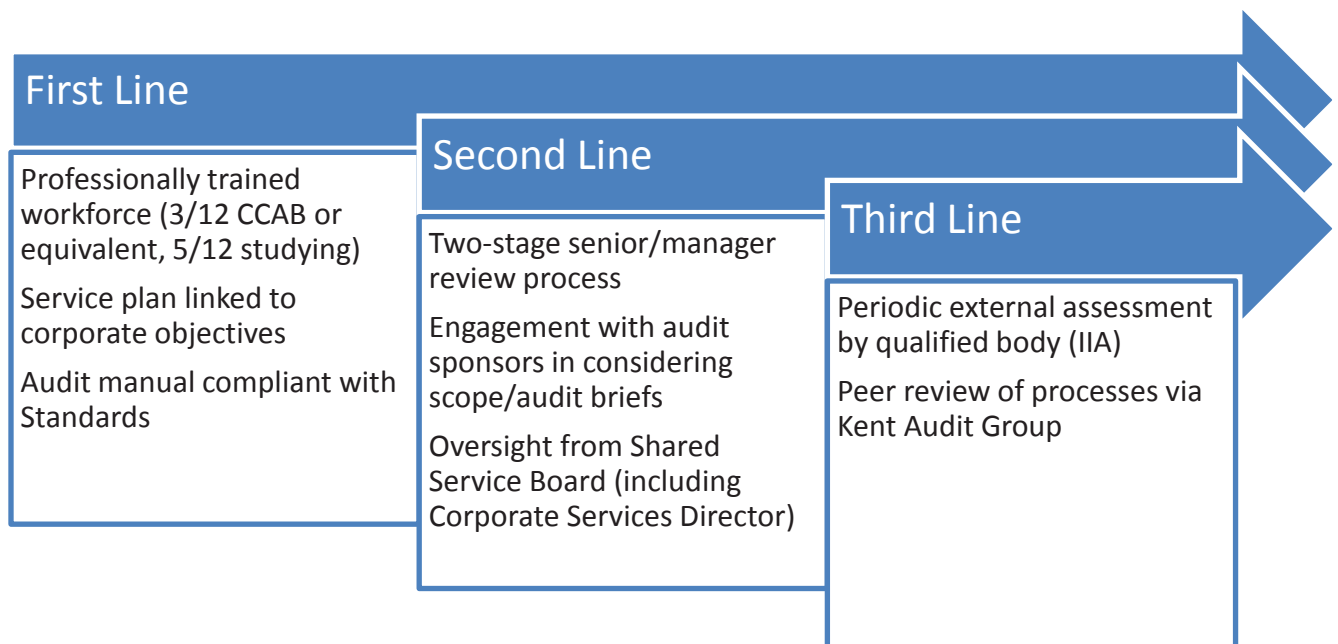
Mid Kent Audit Service Update

Quality Assurance and Improvement Programme: Public Sector Internal Audit Standards

100. The Public Sector Audit Standards (the 'Standards') demand that we include for Members a report on how we have assured the quality of our work and plans for maintaining and improving that quality.
101. A key means of quality assurance included within the Standards is the requirement for every internal audit service to receive external assessment against the Standards at least every five years. We commissioned the Institute of Internal Audit (IIA) to undertake an external quality assessment of Mid Kent Audit and we reported the outcome of that review to Members in March 2014, concluding we were fully conforming to 50 of the standards and partially conforming to the remaining 6.
102. During 2014/15 we worked to implement the recommendations left by the IIA, some of which we could only address in early 2015 as they related to the process for compiling our annual audit plan. In April 2015 we invited the IIA back to re-evaluate the audit service based on our progress and we are very pleased to report their assessment that we are now **fully conforming** to the Standards. A copy of the IIA follow up report is included in Annex A.
103. Also during 2014/15 the Head of Audit Partnership was successful in an application to join the **Internal Audit Standards Advisory Board (IASAB)** as its Local Government practitioner representative. The IASAB is responsible for monitoring use and overall adherence to the Standards, including making recommendations for their development. The Head of Audit's presence on the IASAB will give us early insight into developing issues around audit quality as well as access to leading and best practice from across the public and private sectors; other members including representatives from the major audit firms, accountancy bodies, NHS auditors, the London Stock Exchange, HM Treasury and each of the devolved parliaments.

Quality Assurance and Improvement Programme: On-going monitoring

104. However, quality assurance is not simply something to be assessed periodically and externally; it is central to all of our work. The chart below sets out, very briefly, some of the core practices and processes we employ to assure the quality of our work.



Quality Assurance and Improvement Programme: Developments Planned for 2015/16

105. We continue to examine and review our processes, drawing on feedback from Members and officers as well as best practice from across public and private sector audit. For 2015/16 we intend a number of developments to our service to further improve, including:

- a. Increased standardisation of our work around the three core elements of the opinion (internal controls, core finance and corporate governance) while retaining clear mandate to vary the scope according to identified risk,
- b. Examining the structure of our audit team with a view to making more use of knowledge gained across the partnership to inform best practice both in our work and that of the partner authorities, and
- c. Continuing to work with partner authorities to develop their risk management processes, including a clear channel into risk management to both record audit findings and use identified risks to drive audit planning.

106. It would be remiss at this point though not to acknowledge the exceptional efforts and talents of our audit team in both enabling us to be recognised by the IIA as full conforming – still a rare distinction – as well as allowing us to continue positive developments within the service. Both the Head of the Partnership and the Audit Manager are grateful for the continuing skill, hard work and dedication of our auditors.

Performance

107. Aside from the progress against our audit plan we also report against a number of specific performance measures designed to monitor the quality of service we deliver to partner authorities. The Shared Service Board (with David Edwards as Maidstone BC's representative) considers these measures at each quarterly meeting, and also included in reports submitted to the MKIP Board (including the Council's Chief Executive and Leader).
108. Below is the outturn from the performance report for 14/15, as reported to Shared Service Board on 4 June. We have withheld only one measure from publication – cost per audit day – as it is potentially commercially sensitive in the event of the Partnership seeking to sell its services to the market. We would be happy, however, to discuss with Members separately on request.
109. Note that all figures are for performance across the Partnership. Given how closely we work together as one team, as well as the fact we examine services shared across authorities, it is not practical to present authority by authority data.

Measure	Outturn	Target & Commentary
% projects completed within budgeted number of days	47%	Much improved from 2013/14 performance (18%) and indicative of continued work within the team to shape realistic budgets based on agreed scope. In 2015/16 we will work towards a target of 60% as suggested by trend towards the end of the year.
% of chargeable days	75%	Proportion of available days spent on productive client-focused work rather than administration, training, general management and so on. General target used by Kent Audit Group members is 70%.
Full PSIAS conformance	56/56	As confirmed by IIA assessment (see annex).
Audit projects completed within agreed deadlines	41%	As with the budgeted number of days indicator, this is developing as we enhance our planning approach (previously we made no specific commitment at all to audit sponsors on when to expect the final report). In 2015/16 we will work towards a target of 60%.
% draft reports presented within ten days of fieldwork concluding	56%	Another new indicator (previously we did not track how promptly reports were delivered) and has led to a streamlining of our review process which has also enabled giving greater responsibility to the role of Senior Auditors. In 2015/16 we will work towards a target of 70%.
Satisfaction with assurance	100%	From satisfaction surveys (see below).
Final reports presented within 5 days of closing meeting	89%	The only occasions where we did not meet this target were where we engaged in ongoing discussion with the service on how best to respond to recommendations. For this reason, we work to a 90% target for this indicator.
Respondents satisfied with auditor conduct	100%	From satisfaction surveys (see below).
Recommendations implemented as agreed	95%	As reported elsewhere in this review.
Exam success	100%	All of our team were successful in professional exams in 2014/15. We generally work towards a target of 75%, slightly ahead the national pass rate of 70%.
Respondents satisfied with auditor skill	100%	From satisfaction surveys (see below).

Satisfaction with Internal Audit Service – Mid Kent Audit 2014/15

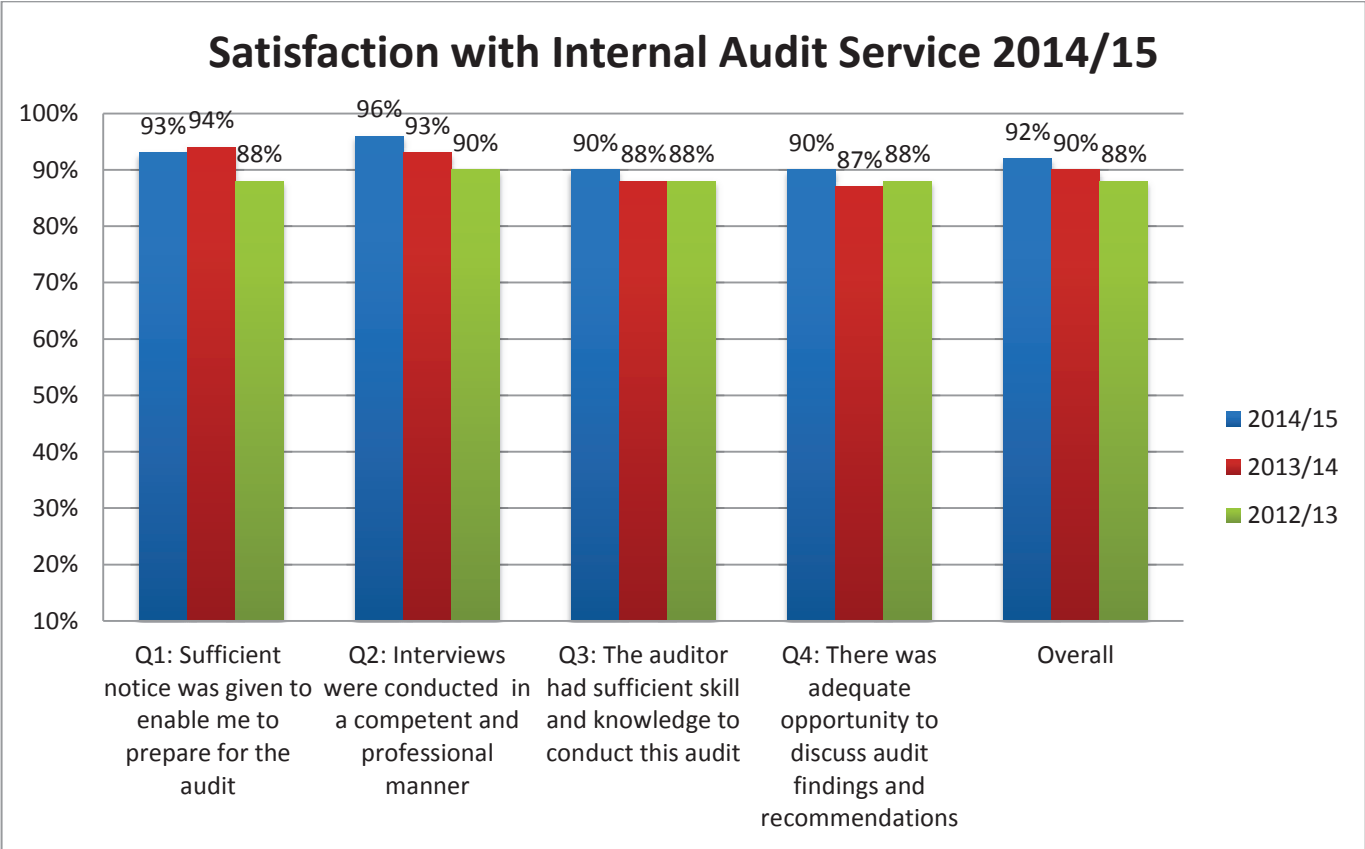
110. At the close of each audit project we issue a satisfaction survey to recipients of our final report, which will include the Audit Sponsor as well as key operational managers engaged in the audit.

111. We ask four questions, designed to measure the overall audit experience:

- Sufficient notice was given to enable me to prepare for the audit.
- Interviews were conducted in a competent and professional manner.
- The auditor had sufficient skill and knowledge to conduct this audit.
- There was adequate opportunity to discuss audit findings and recommendations.

112. Respondents score each question either: Strongly Agree (4), Agree (3), Disagree (2) or Strongly Disagree (1).

113. The level of satisfaction has been calculated by using the total responses received to give an overall level of satisfaction, compared with 12/13 and 13/14 (the percentage indicating proportion of total marks available, i.e. 100% would be each return scoring ‘Strongly Agree’ (4), 75% if each had reported ‘Agree’ (3) and so on. We received no responses at the Disagree/Strongly Disagree level in 2014/15):



114. We are encouraged by having maintained consistently high satisfaction ratings during a period in which we have made significant changes to how we complete and report our work.

Acknowledgements

115. We would like to thank Managers, Officers and Members for their continued support, assistance and co-operation as we complete our audit work during the year.

Annex A: IIA Follow Up Report



Chartered Institute of
Internal Auditors

Rich Clarke
Head of Audit Partnership

30 April 2015

Ref:201504Mid-Kentfollow-up

Mid-Kent Audit Partnership External Quality Assessment (EQA) follow-up

Dear Rich

Following our meeting on Wednesday 15 April 2015, during which we discussed and reviewed implementation of EQA actions points, I am pleased to inform you that sufficient progress has been made to enable the partnership to state that it conforms fully to the International Standards for the Professional Practice of Internal Auditing. Our decision is based upon the examination of evidence that addresses the six areas of partial conformance highlighted in our report in January 2014, as follows:

- 1. Standard 1000 Purpose, Authority and Responsibility** - Review and update of the internal audit charter in March 2015 that has established a specific and tailored charter for each of your clients within partnership. Also the expansion of the charter to include more detailed explanation of internal audit's role in relation to risk management, projects and fraud. We also acknowledge the inclusion of sections that set out how internal audit will manage quality and make decisions on performing consultancy work based upon defined criteria.
In July 2015 the Institute will be publishing amendments to the professional practice framework to include a new mission statement and a new set of principles. This may present a timely opportunity to review the charters and your audit manual.
- 2. Standard 1310 Requirements of the Quality Assurance and Improvement Programme** – Developing a broader range of performance indicators in a balanced scorecard style that was presented to audit committees in March 2015 as an appendix to the 2015/16 audit plans and had been agreed with Management in mid-2014.
With the scorecard in place we suggest that a forward looking timetable of quality reviews with scheduled reports could now be prepared and shared with audit committees.
- 3. Standard 2010 Planning** – The 2015/16 audit plans show a clear link to key governance and strategic risk issues based upon defined categories of risk. The revised methodology also demonstrates an internal audit plan that provides a good balance between high profile objectives and important systems and procedures that are relied upon on a day by day basis.
As the organisations within the partnership develop their approach to risk management we anticipate a point where the defined risks and mitigating action can be relied upon as the basis for the internal audit plan and individual audit engagements, making it unnecessary for internal audit to prepare their own

assessment of risk. We would also envisage the need to update plans during the year to accommodate emerging risks.

4. **Standard 2050 Coordination** – Senior managers within the audit partnership are devoting considerable time and effort to developing a coordinated approach to assurance. This began with presentations upon the three lines of defence followed by workshop exercises and surveys to determine who provides assurance and how it is delivered. We appreciate that the next step will be to prepare Assurance Maps showing who is providing assurance against management’s mitigation of key risks and to further integrate this information into internal audit plans.
We foresee a time when internal audit will be working on a joint basis with other assurance providers and relying on the assurance of others to maximise assurance coverage. This particularly applies to the coverage of routine systems and procedures as part of the 4 year strategic audit plan.
5. **Standard 2120 Risk Management** – Through its consultancy role internal audit is supporting and facilitating the development of risk management within each of the partner organisations, albeit each organisation is at a different stage in its development. For example, we note the progress upon helping authorities to formulate risk appetite statements. At the same time internal audit has begun to conduct health checks and assurance upon risk management.
Providing assurance upon the maturity and effectiveness of risk management is a key feature of the Standards and of good governance. To achieve this objective internal audit needs to be fully independent from risk management and at some point it will be advantageous for them to stand back from the process. However, for the time being we recognise the value of their risk related work.
6. **Standard 2210 Engagement Objectives** – An updated approach to audit engagements has introduced a new template to prompt internal auditors to consider and focus upon the key objectives and risks of the service under review. This underlines and delivers upon the risk based approach to planning. We acknowledge that the template has been introduced to the audit manual and is part of an audit methodology that is motivating the team.

Finally I would also like to recognise some of the additional changes you have made that support the requirements of the Standards and demonstrate the commitment to continuous improvement, including:

- Reviewing current skill levels to identify potential gaps and resource needs.
- Training and qualifications programmes to fill gaps and develop competencies
- Time recording to enhance management and delivery of plans.
- Refinement and simplification of audit reporting format.
- Improved follow-up procedures using Teammate.

If I can be of further assistance please do not hesitate to drop me an email at my usual address and in the meantime we wish you every success.

Chris Baker
[signed]
Technical Manager, Chartered Institute of Internal Auditors

Audit, Governance and Standards Committee

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Statement of Accounts 2014-15

Final Decision-Maker	Audit, Governance and Standards Committee
Lead Director or Head of Service	Paul Riley, Head of Finance and Resources
Lead Officer and Report Author	Ellie Dunnet, Chief Accountant
Classification	Non-exempt
Wards affected	N/A

This report makes the following recommendations to the final decision-maker:

1. To note the draft 2014-15 Statement of Accounts attached at **Appendix I**.

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

Timetable

<i>Meeting</i>	<i>Date</i>
Audit, Governance and Standards Committee	20 July 2015 (draft)
Audit, Governance and Standards Committee	21 September 2015 (final – audited)

Statement of Accounts 2014-15

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The draft statement of accounts has been prepared in accordance with the CIPFA Code of Practice on Local Authority Accounting in the United Kingdom 2014-15. The purpose of this report is to provide the committee with an early opportunity to review the draft accounts submitted for audit prior to formally approving them in September.
 - 1.2 The audit has now commenced and representatives from Grant Thornton will be in attendance at the meeting to answer any questions relating to the audit and provide a verbal update on progress.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 The draft Statement of Accounts attached at **Appendix I** was submitted to the council's external auditors on 30 June in line with the amended Accounts & Audit Regulations 2011.
 - 2.2 Under these regulations the Audit, Governance and Standards Committee are required to formally approve the final audited Statement of Accounts by 30 September for the previous accounting period in their capacity as the committee charged with governance.
 - 2.3 It is considered appropriate to bring the draft Statement of Accounts to the committee at this stage to provide an early opportunity for committee members to review the Statement and to ask any relevant questions of officers in advance of the statutory deadline in September.
-

3. AVAILABLE OPTIONS

- 3.1 The annual production of the Statement of Accounts is a statutory requirement and there are therefore no alternative options.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that the committee notes the draft unaudited Statement of Accounts attached at **Appendix I** to this report.

Statement of Accounts 2014-15

- 4.2 As noted above, the council's financial statements must comply with CIPFA's Code of Practice on Local Authority Accounting, which is based on International Financial Reporting Standards (IFRS).

- 4.3 There have not been any significant changes to these accounting requirements for 2014-15. However, following a recommendation from the council's external auditors as part of the 2013-14 audit, the council has created a number of earmarked reserves to demonstrate where resources have been set aside for specific purposes in line with previous decisions made by the Cabinet and Council. In previous years these amounts have formed part of the general fund balance.
- 4.4 The 2014-15 Statement of Accounts demonstrates that the Council has continued to effectively manage its resources despite significant reductions in central government funding over the past few years, and that it is in a good position to deal with the continuing economic uncertainty and associated challenges that lie ahead. This is evidenced by the fact that the balance on the general fund and earmarked reserves has remained constant over the past year, decreasing by £0.1m to £15.3m at the end of 2014-15.
- 4.5 Headline messages from the Statement of Accounts can be summarised as follows:
- The annual revaluation of the council's property portfolio has seen an overall increase in the value of investment properties, and a reduction in the value of property, plant and equipment which primarily relates to pay and display car parks.
 - The increase in value of investment properties also relates to the acquisition of industrial units at Phoenix Park during 2014-15
 - Long term investments have increased by £5m due to surplus cash being invested for a period greater than 1 year in line with the council's Treasury Management Strategy.
 - Movements in the short term debtor and creditor balances relate to balances due to and from precepting authorities in relation to Council Tax and NNDR.
 - Long term liabilities have increased by £14.5m, which predominantly results from the 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 the value of unusable reserves. While this has a substantial impact on the net worth of the council as recorded in the balance sheet, statutory arrangements in place to fund the deficit mean that the financial position of the council remains healthy. The deficit is currently being addressed through increased contributions to the fund over the working life of employees, as assessed by the scheme actuary.
-

5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	Production of the annual Statement of Accounts which is free from material or significant error is a key element of the annual external assessment process. It is therefore important that the statement of accounts meets this requirement.	Director of Regeneration & Communities
Risk Management	The primary risks are that the Council fails to produce its accounts in accordance with the requirements of the Code of Practice or statutory timetable. A risk assessment has been undertaken in order to mitigate this risk.	Director of Regeneration & Communities
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2015, and details the council's assets, liabilities and reserves at this date.	Section 151 Officer & Finance Team
Staffing	Not applicable.	
Legal	Not applicable.	
Equality Impact Needs Assessment	Not applicable.	
Environmental/Sustainable Development	Not applicable.	
Community Safety	Not applicable.	
Human Rights Act	Not applicable.	
Procurement	Not applicable.	
Asset Management	Not applicable.	

6. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- **Appendix I:** Draft un-audited Statement of Accounts 2014-15

7. BACKGROUND PAPERS

None



**Statement of Accounts for the year ending
31st March 2015**

(Draft – subject to external audit)

CONTENTS

	Page
Explanatory Foreword	3
Explanation of the Purpose of the Primary Statements	9
Statement of Responsibilities for the Statement of Accounts	11
Primary Statements:	
- Movement in Reserves	12
- Comprehensive Income & Expenditure Statement	13
- Balance Sheet	14
- Cash Flow Statement	15
Notes to the Accounts:	
Accounting Policies	16
Critical Judgements in Applying Accounting Policies	29
Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty	31
Accounting Standards that have been issued but have not yet been adopted	32
Adjustments between Accounting Basis & Funding Basis Under Regulation	33
Material Items of Income & Expense	35
Other Operating Expenditure	35
Financing and Investment Income & Expenditure	35
Taxation & Non-Specific Grant Incomes	36
Amounts Reported for Resource Allocation Decisions	36
Trading Operations	36
Members' Allowances	39
Officers Remuneration	40
External Audit Costs	41
Grant Income	42
Related Parties	43
Property, Plant & Equipment	44
Investment Properties	48
Heritage Assets	49
Financial Instruments	51
Nature & Extent of Risks Arising from Financial Instruments	52
Debtors	55
Cash & Cash Equivalents	55
Creditors	56
Provisions	56
Trust Funds	57
Private Finance Initiatives & Similar Contracts	58
Capital Receipts Reserve	59
Earmarked Reserves	59
Unusable Reserves	60
Capital Expenditure & Capital Funding	64

Defined Benefit Pension Schemes	64
Leases	71
Impairment Losses	71
Contingent Liabilities	71
Events After the Reporting Period	71
Cashflow Statement Notes	72
Collection Fund and Notes	74
Annual Governance Statement (Draft)	77
Glossary of Terms	78
Audit Opinion (to follow)	-

EXPLANATORY FOREWORD

Review of 2014/15 Financial Year

Statement of Accounts

The Council's accounts for the year 2014/15, covering the period 1st April 2014 to 31st March 2015, 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 2014/15, 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, Governance & Standards Committee to be given by 30th September.

There were no significant changes to the accounting requirements for 2014/15.

The Council's financial year runs from 1st April to 31st March. A summary of the Balance Sheet as at 31st March 2015 is shown below:

2013/14		2014/15
£000		£000
59,815	Property, Plant & Equipment	56,376
10,363	Heritage Assets	10,384
12,727	Investment Properties	15,962
581	Other Long Term Assets	5,456
30,056	Money owed to the Council	28,228
(14,393)	Money owed by the Council	(17,050)
(58,327)	Long Term Liabilities	(72,038)
40,822	Net Assets	27,318
16,392	Usable Reserves	15,546
24,430	Unusable Reserves	11,772
40,822	Total Reserves	27,318

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

- Long Term Liabilities have increased by £14.5m 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 value of Investment Properties has increased by £5.7m. This is due to the annual revaluation and the acquisition of Phoenix Park Industrial Units. The reduction in Property, Plant & Equipment is also due to the annual revaluation, as the values of a number of Pay & Display Car Parks were reduced.
- During 2014/15 the Council entered into a Business Rates Pooling arrangement with Kent County Council. The year-end debtors and creditors balances reflect the balances due to be settled between the two Councils.
- The increase in Other Long-Term Assets reflects £5m surplus cash invested for a period greater the one year.

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:

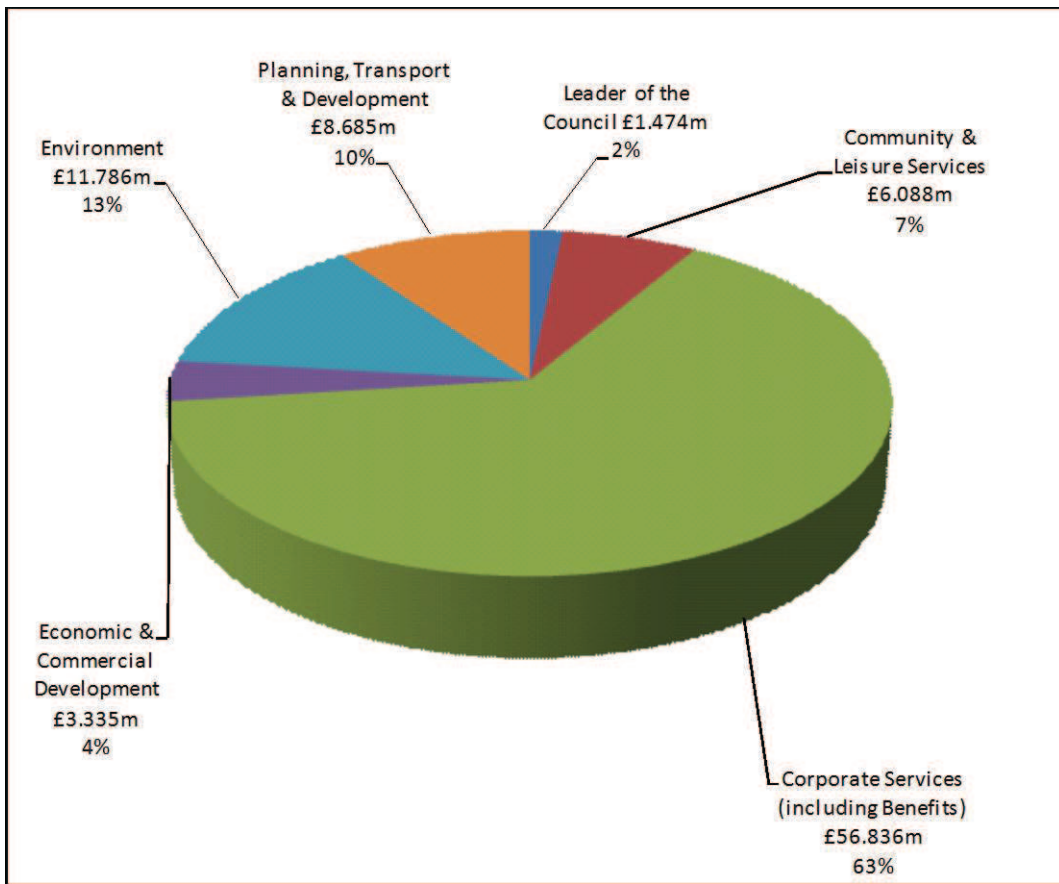
Portfolio	Original Estimate £000	Revised Estimate £000	Actual £000	Variance to Revised £000
Leader of the Council	1,107	1,535	1,067	(468)
Community & Leisure Services	2,224	4,971	4,938	(33)
Corporate Services	9,349	583	873	290
Economic & Commercial Development	1,396	2,594	2,674	80
Environment	5,531	8,097	8,466	369
Planning, Transport & Development	(389)	3,232	2,836	(396)
Contribution to/(from) Balances	(100)	(1,895)	(1,401)	494
Net Service Spending	19,117	19,117	19,453	336
Parish Precepts	1,288	1,288	1,288	0
Net Expenditure	20,405	20,405	20,741	336
Funded by:				
Council Tax	14,155	14,155	14,155	0
Revenue Support Grant	3,275	3,275	3,275	0
Retained Business Rates	2,903	2,903	2,903	0
Collection Fund Surplus	71	71	71	0
Total Funding	20,405	20,405	20,405	0

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 includes figures that are not included within the net cost of services.

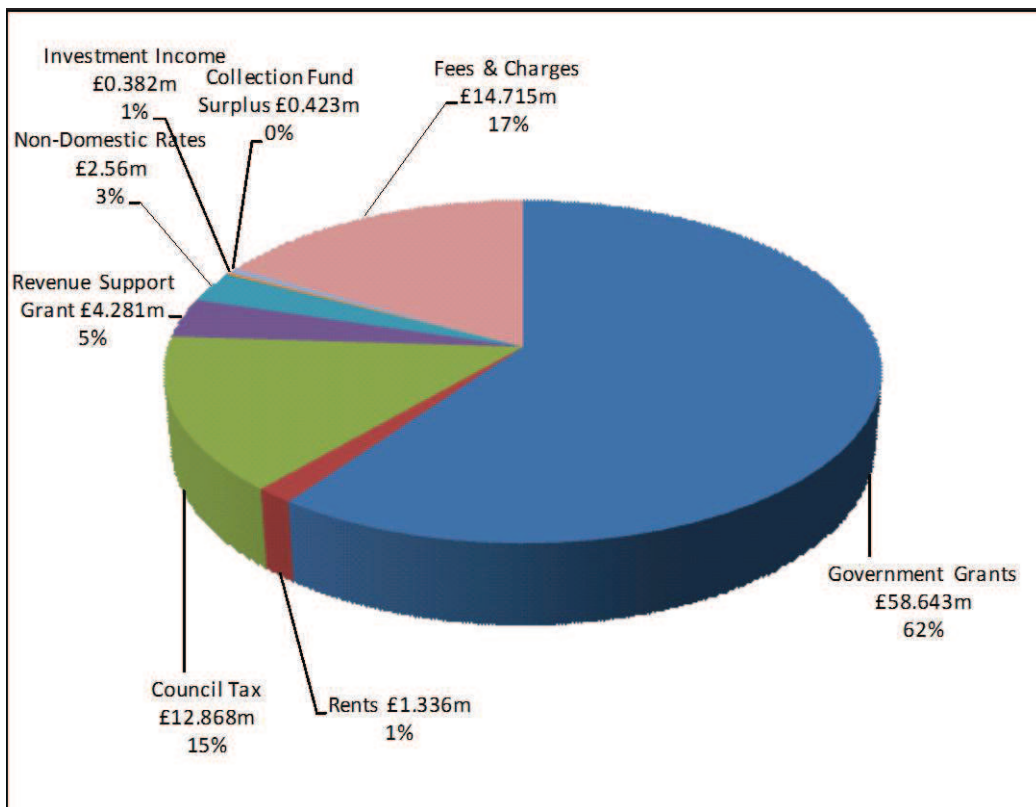
Expenditure & Income - The pie charts shown on the following page illustrate in broad terms where the Council's money comes from and the services that it provides.

19% 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 63% of the total.

Spending – Where it Went



Income – Where it Came From



Capital Expenditure & Income

The Council spent £4.472m on Capital Projects compared to an original estimate of £11.673m. As a result of unused resources carried forward to 2015/16 and other adjustments to the programme during the year the revised estimate was set at £5.561m. Significant elements of the capital spending were the acquisition of the Phoenix Park Industrial Units (£2.422m), Housing Grants (£0.739m) and the purchase of Magnolia House (£0.328m).

A summary of capital expenditure is shown below:

	Original Estimate £000	Revised Estimate £000	Actual £000	Variance to Revised £000
Planning, Transport & Development	2,211	0	0	0
Community & Leisure Services	3,925	2,591	1,591	1,000
Corporate Services	350	429	429	(0)
Economic & Commercial Development	5,187	2,512	2,421	91
Environment	0	30	301	(271)
Total	11,673	5,562	4,742	820

The variance on Community & Leisure Services relates to Housing Grants and Social Housing Grants. The variance on Environment relates to the acquisition of fleet vehicles, however funding was in place for this from the sale of old vehicles and monies set-aside in previous years.

Capital expenditure was funded as follows:

	£000
Revenue Support	2,923
Disposal of Assets - Current & Previous Years	1,156
Other Grants & Contributions	662
Total	4,741

The above figures exclude schemes funded from Section 106 contributions and schemes relating to Cobtree Manor Park.

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 2014/15, 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 £0.209m being generated in 2014/15. (The figure for 2013/14 was £0.231m). 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 Council currently has no significant surplus assets for disposal.

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 2014/15 totalling £85.544m were as follows:

Authority	£000
Maidstone Borough Council	14,155
Kent County Council	59,498
Kent Police & Crime Commissioner	8,033
Kent & Medway Towns Fire & Rescue Authority	3,858
Total	85,544

The Band D level of Council Tax in 2014/15 was £1,536.39, which breaks down as follows:

Authority	£.p
Maidstone Borough Council	254.25
Kent County Council	1,068.66
Kent Police & Crime Commissioner	144.28
Kent & Medway Towns Fire & Rescue Authority	69.30
Total	1,536.49

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.

One element of the Business Rates Retention (BRR) scheme that came into force on 1st April 2013 is the option for local authorities to develop a Business Rates Pool and effectively opt out of the national arrangements. By opting out of the national arrangements in this way, the local authorities in the pool will increase the gain made locally from growth in business rates. For 2014/15 the Council entered into a Business Rates Pooling Arrangement with Kent County Council.

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 £56.476m in 2013/14 to £70.903m in 2014/15.

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 2015/16. 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.

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, Environmental Health, Human Resources & Payroll and Legal Services.

The Council has also developed 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.

In May 2015 the Council changed its governance arrangements to a committee system which replaces the Cabinet model and portfolios reflected on page 5 and in note 10. Internal financial reporting and the financial statements will therefore be based on the new system from 2015/16 and subsequent periods.

Authorised for Publication

This Statement was authorised for publication on 30th June 2015, 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 2014/15.

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 2015.

Signed:



Zena Cooke, Director of Regeneration & Communities

Date: 30th June 2015

PRIMARY STATEMENTS

MOVEMENT IN RESERVES STATEMENT For the years ended 31st March 2014 & 2015

	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2014	8,565	6,876	187	764	16,392	24,430	40,822
Movement in Reserves during 2014/15							
Surplus or Deficit on the Provision of Services Other Comprehensive Income and Expenditure	(1,773)				(1,773)		(1,773)
				0	0	(11,731)	(11,731)
Total Comprehensive Income and Expenditure	(1,773)	0	0	0	(1,773)	(11,731)	(13,504)
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	1,625	0	(33)	(665)	927	(927)	0
Net Increase or Decrease before Transfers to Earmarked Reserves	1,625	0	(33)	(665)	927	(927)	0
Transfers to/from Earmarked Reserves	(1,402)	1,402	0	0	0	0	0
Increase or Decrease in Year	(1,550)	1,402	(33)	(665)	(846)	(12,658)	(13,504)
Balance at 31st March 2015	7,015	8,278	154	99	15,546	11,772	27,318

Restated	General Fund Balance £000	Earmarked Reserves £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 31st March 2013	7,472	5,111	1,043	649	14,275	33,382	47,657
Movement in Reserves during 2013/14							
Surplus or Deficit on the Provision of Services Other Comprehensive Income and Expenditure	(1,833)				(1,833)		(1,833)
						(5,002)	(5,002)
Total Comprehensive Income and Expenditure	(1,833)				(1,833)	(5,002)	(6,836)
Adjustments between Accounting and Funding Basis under Regulation (Note 5)	4,691		(856)	115	3,950	(3,950)	
Net Increase or Decrease before Transfers to Earmarked Reserves	4,691		(856)	115	3,950	(3,950)	
Transfers to/from Earmarked Reserves	(1,765)	1,765					
Increase or Decrease in Year	2,857		(856)	115	2,116	(8,952)	(6,836)
Balance at 31st March 2014	8,565	6,876	187	764	16,392	24,430	40,822

2013/14 figures have been restated to reflect the creation of earmarked reserves for amounts previously shown as part of the general fund balance. Further detail is provided in note 32.

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT**For the years ended 31st March 2014 & 2015**

2013/14				2014/15		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000		Gross Expenditure £000	Gross Income £000	Net Expenditure £000
14,623	(12,757)	1,866	Central services to the public	7,635	(4,322)	3,313
10,189	(4,254)	5,935	Cultural & Related Services	7,598	(2,425)	5,173
12,264	(5,672)	6,592	Environment & Regulatory Services	9,674	(3,458)	6,216
7,049	(4,006)	3,043	Planning Services	5,521	(2,663)	2,858
5,040	(5,461)	(421)	Highways and transport services	4,354	(3,605)	749
51,929	(49,538)	2,391	Other housing services	51,763	(48,177)	3,586
2,421	(308)	2,114	Corporate and democratic core	2,194	(41)	2,153
1,859	0	1,859	Non distributed costs	910		910
105,375	(81,997)	23,379	Cost Of Services	89,648	(64,691)	24,957
1,292	(192)	1,100	Other Operating Expenditure (Note 7)			276
2,458	(231)	2,227	Financing and Investment Income and Expenditure (Note 8)			1,158
	(24,874)	(24,874)	Taxation and Non-Specific Grant Income and Expenditure (Note 9)			(24,618)
		1,832	(Surplus) or Deficit on Provision of Services			1,773
		(572)	Surplus or deficit on revaluation of non current assets			(256)
		5,574	Remeasurement of the Net Defined Benefit Liability			11,987
		5,002	Other Comprehensive Income and Expenditure			11,731
		6,835	Total Comprehensive Income and Expenditure			13,504

BALANCE SHEET**As at 31st March 2014 & 2015**

31st March 2014 £000		Notes	31st March 2015 £000
59,815	Property, Plant & Equipment	17	56,376
12,727	Investment Property	18	15,962
10,363	Heritage Assets	19	10,384
545	Intangible Assets		417
11	Long Term Investments	21	5,011
26	Long Term Debtors		28
83,487	Long Term Assets		88,178
5,029	Short Term Investments	21	8,000
93	Inventories		87
9,403	Short Term Debtors	23	11,877
15,530	Cash & Cash Equivalents	24	8,264
30,055	Current Assets		28,228
8,344	Short Term Creditors	25	10,039
2,927	Provision for Bad Debts	26	3,313
1,151	Provision for Business Rate Appeals	26	1,068
604	Deferred Liability	28	457
1,367	Capital Grants Receipts in Advance	15	2,173
14,393	Current Liabilities		17,050
180	Provisions		181
1,671	Deferred Liability	28	1,177
56,476	Other Long Term Liabilities	33	70,680
58,327	Long Term Liabilities		72,038
40,822	Net Assets		27,318
16,392	Usable Reserves		15,546
24,430	Unusable Reserves	31	11,772
40,822	Total Reserves		27,318

CASHFLOW STATEMENT

2013/14 £000		Notes	2014/15 £000
1,833	Net (surplus) or deficit on the provision of services		1,773
(12,409)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	38	(3,066)
3,537	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	39	2,417
(7,040)	Net cash flows from Operating activities		1,124
(2,988)	Investing Activities	41	9,081
950	Financing Activities	42	(2,939)
(9,078)	Net increase or decrease in cash & cash equivalents		7,266
(6,452)	Cash & cash equivalents at the beginning of the reporting period		(15,530)
(15,530)	Cash & cash equivalents at the end of the reporting period		(8,264)

NOTES TO THE ACCOUNTS

1 - ACCOUNTING POLICIES

a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2014/15 financial year and its position at the year-end of 31st March 2015. 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 2014/15 and the Service Reporting Code of Practice 2014/15, 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;
- Faithful Representation;
- Comparability;
- Verifiability;
- Timeliness; and
- Understandability

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

- Going concern
- 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 took effect from 1st April 2014.

The adoption of the 2011 amendments to the International Accounting Standard (IAS) 19 Employee Benefits introduced new components of defined benefit cost to be included in the financial statements; i.e. net interest on the net defined benefit liability and re-measurements of the net defined benefit liability. The changes became effective for periods beginning on or after 1st January 2013 and were reflected in the 2013/14 financial statements.

Discretionary Benefits

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

h) EVENTS AFTER THE BALANCE SHEET DATE

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

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

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

i) FINANCIAL INSTRUMENTS

Financial Liabilities:

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

Financial Assets:

There are two types of financial asset which the Council holds. These are:

- Loans & Receivables – non derivative financial assets that have fixed or determinable payments but are not quoted on an open market.
- Available-for-sale assets – non derivative assets that are not classified as a) loans and receivables, b) held-to-maturity investments or c) financial assets at fair value through profit or loss.

Loans & Receivables:

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

Available-for-sale assets:

Available for sale assets are recognised on the Balance Sheet when the Council becomes a party to the contractual provisions of a financial instrument and are initially measured at fair value. They are subsequently measured at fair value through determining their value through an active market. The gain or loss arising from a change in the fair value of an available-for-sale financial asset shall be recognised in Other Comprehensive Income and Expenditure and taken to the Available-for-Sale Reserve.

j) GOVERNMENT GRANTS & CONTRIBUTIONS

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

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

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

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

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

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

k) HERITAGE ASSETS

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

The Council's Heritage Assets 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.

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 2014/15. 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 and impairment losses on assets held for sale.

These two cost categories are defined in the Service Expenditure Reporting Code of Practice 2014/15 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, 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.

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

p) DEFERRED LIABILITIES

Deferred Liabilities are recognised under the terms of IFRIC 12 (IFRS Interpretations Committee) and the arrangement is recognised as a service concession, and accounted for accordingly. This generally involves the grantor (the Council) conveying to the operator (Serco) for the period of the concession

the right to provide services that give the public access to major economic and social facilities, in this instance Maidstone Leisure Centre.

q) PROVISIONS, CONTINGENT LIABILITIES & CONTINGENT ASSETS

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

Provisions are 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.

The Council has created a series of Earmarked Reserves to manage more effectively the resources set aside for specific activities. In prior years these resources have formed part of general fund balances. The impact of this change is reflected on the 2013/14 Movement in Reserves statement and in note 32.

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

s) REVENUE EXPENDITURE FUNDED FROM CAPITAL UNDER STATUTE

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

t) VALUE ADDED TAX

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

u) MINIMUM REVENUE PROVISION

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

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

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.

- The value of the Council's Land & Buildings is reviewed at year-end to ensure that it is materially correct.
- 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 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.
- The Council will make a provision where a future event is uncertain but there is a legal or constructive obligation.

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 2015 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 the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.571m for every year that useful lives had to be reduced.

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 £1.395m. 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 £7.995m.

Arrears

Uncertainties:

At 31st March 2015 the Council had a balance of sundry debtors for £11.219m. A review of significant balances suggested that a provision of doubtful debts for £2.889m 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 £2.671m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £1.068m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA. If the proportion of successful appeals were to increase by 10%, an additional provision of £0.7m would be required overall, and the council's share of the provision would increase by £0.3m.

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 2014/15). Disclosure requirements are expected to be included in a subsequent edition of the Code.

- IFRS 13 – Fair Value Measurement
- Annual Improvements to IFRSs (2011-2013 cycle)
- IFRC 21 Levies

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.

Maidstone Borough Council – Statement of Accounts 2014/15

General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2013/14 Movement in Unusable Reserves £000		General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	2014/15 Movement in Unusable Reserves £000
Adjustments primarily involving the Capital Adjustment Account								
Reversal of items debited or credited to the Comprehensive Income & Expenditure Statement:								
2,441			2,441	Charges for depreciation and impairment of non-current assets	2,786			2,786
378			378	Revaluation (gains)/losses on Property, Plant & Equipment	1,923			1,923
(161)			(161)	Movement in the market value of Investment Properties	(737)			(737)
280			280	Amortisation of intangible assets	231			231
(1,549)			(1,549)	Capital grants and contributions applied	(619)		(702)	(1,321)
3,333			3,333	Revenue expenditure funded from capital expenditure under statute	1,619			1,619
104			104	Write-off Non-enhancing Capital Expenditure	163			163
1,460			1,460	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	(1,126)			(1,126)
Insertion of items not debited or credited to the Comprehensive Income & Expenditure Statement								
(578)			(578)	Statutory provision for the financing of capital investment	(640)			(640)
(1,697)			(1,697)	Capital expenditure charged against the General Fund balance	(2,923)			(2,923)
Adjustments primarily involving the Capital Grants Unapplied Account								
(115)		115	0	Capital grants & contributions unapplied credited to the Comprehensive Income & Expenditure Statement	(37)		37	0
Adjustments primarily involving the Capital Receipts Reserve								
(1,651)	1,651		0	Transfer of cash sale proceeds credited as part of the gain/loss on disposal to the Comprehensive Income & Expenditure Statement	1	1,122		1,123
	(2,507)		(2,507)	Use of the Capital Receipts Reserve to finance new capital expenditure		(1,156)		(1,156)
Adjustments primarily involving the Pensions Reserve								
4,936			4,936	Reversal of items relating to retirement benefits debited or credited to the Comprehensive Income & Expenditure Statement	5,417			5,417
(3,019)			(3,019)	Employer's pensions contributions and direct payments to pensioners payable in the year	(3,200)			(3,200)
Adjustments primarily involving the Collection Fund Adjustment Account								
486			486	Amount by which council tax and business rates income credited to the Comprehensive Income & Expenditure Statement is different from income calculated for the year in accordance with statutory requirements	(1,152)			(1,152)
Adjustments primarily involving the Financial Instruments Adjustment Account								
				Amount by which finance costs charged to the Comprehensive Income & Expenditure Statement are different from finance costs chargeable in the year in accordance with statutory requirements	(84)			(84)
Adjustments primarily involving the Accumulated Absences Account								
42			42	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	3			3
4,690	(856)	115	3,949	Total Adjustments	1,626	(34)	(665)	927

141

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.

	2013/14	2014/15
	£000	£000
Parish Council precepts	1,188	1,288
Levies	105	106
Gains/losses on the disposal of non-current assets	(192)	(1,118)
	1,101	276

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.

	2013/14	2014/15
	£000	£000
Interest payable and similar charges	235	210
Net Interest on the Net Defined Benefit Liability	2,044	2,418
Interest receivable and similar income	(231)	(209)
Income & Expenditure in relation to investment properties and changes in their fair value	180	(1,261)
	2,228	1,158

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.

	2013/14	2014/15
	£000	£000
Council tax income	13,955	14,647
Revenue Support Grant	4,281	3,275
Income from Retained Business Rates	21,244	22,427
Tariff Payable	(18,760)	(19,126)
Levy Payable	0	(510)
Non-ringfenced Government Grants	4,154	3,905
	24,873	24,618

Levy payable comprises the amount paid to central government for 2013/14 (£366k) and the levy due to KCC in respect of 2014/15 business rates growth under the pooling arrangement (£144,000).

An adjustment of -£0.702m has been made to the capital grants and contributions line to correct amounts which had been incorrectly classified in the previous period. Actual capital grants and contributions credited to taxation and non-specific grant income totalled £1.358m for 2014/15.

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 2014/15	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	(187)	(1,149)	(3,109)	(742)	(3,688)	(6,072)	(14,947)
Government Grants	(269)	(66)	(47,355)	0	0	(65)	(47,755)
Total income	(456)	(1,215)	(50,465)	(742)	(3,688)	(6,137)	(62,702)
Employee expenses	635	796	7,884	1,108	4,645	2,897	17,965
Other service expenses	461	6,073	54,367	2,291	10,097	5,420	78,708
Support service recharges	427	(716)	(6,809)	17	(2,588)	655	(9,014)
Total expenditure	1,523	6,153	55,442	3,416	12,155	8,973	87,659
Net Expenditure	1,067	4,938	4,977	2,674	8,467	2,836	24,957

Portfolio Holder Income & Expenditure 2013/14	Leader of the Council £000	Community & Leisure £000	Corporate Services £000	Economic Development & Transport £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)	(49,306)	(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	73,926
Support service recharges	447	738	(9,198)	456	(2,473)	1,061	(8,968)
Total expenditure	1,394	8,601	53,436	5,143	9,244	6,331	84,151
Net Expenditure	965	7,096	4,130	4,159	5,952	1,078	23,379

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.

	2013/14 £000	2014/15 £000
Net Expenditure in Portfolio Analysis	23,379	24,957
Amounts reported below the line on the Net Cost of Services	0	0
Cost of services in Comprehensive Income & Expenditure Statement	23,379	24,957

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.

2014/15	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	(14,947)		(14,947)		(14,947)
Interest & investment income			0	(209)	(209)
Income from council tax			0	(14,155)	(14,155)
Government grants and contributions	(47,755)		(47,755)	(11,165)	(58,920)
Total Income	(62,702)	0	(62,702)	(25,530)	(88,232)
Employee expenses	17,965		17,965	2,418	20,383
Other service expenses	78,708		78,708	(559)	78,148
Support Service recharges	(9,014)		(9,014)		(9,014)
Interest Payments			0	210	210
Precepts & Levies			0	1,395	1,395
Gain or Loss on Disposal of Fixed Assets			0	(1,118)	(1,118)
Total Expenditure	87,658	0	87,658	2,346	90,005
Surplus or deficit on the provision of services	24,957	0	24,956	(23,183)	1,773

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)	(85,875)
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	84,151	0	84,151	3,560	87,709
Surplus or deficit on the provision of services	23,379	0	23,379	(21,543)	1,836

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	2013/14	2014/15		(Surplus)/ Deficit £000
	(Surplus)/ Deficit £000	Income £000	Expenditure £000	
Market	13	(342)	392	50
Parkwood Industrial Estate	(362)	(393)	29	(363)
Pay & Display Car Parking	(1,000)	(1,637)	459	(1,179)
On-Street Car Parking	(171)	(670)	464	(206)
Direct Services	(20)	(1,996)	2,062	66
Net (Surplus)/Deficit	(1,540)	(5,038)	3,406	(1,632)

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2014/15 totalled £384,382. (£386,569 in 2013/14)

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:

2014/15	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	3	115	15	130
Director of Environment & Shared Services	99	3	102	13	115
Director of Regeneration & Communities	98	3	101	13	114
Head of Planning & Development	68	7	75	10	85
Head of Policy & Communications	68	3	71	9	80

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

The 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	2013/14 No. of employees	2014/15 No. of employees
£50,000 - £54,999	2	4
£55,000 - £59,999	3	1
£60,000 - £64,999	2	3
£65,000 - £69,999	2	4
£70,000 - £74,999	2	2
£75,000 - £79,999	1	1
£80,000 - £84,999	2	1
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15	2013/14	2014/15
							£000	£000
£0 - £20,000	0	0	11	8	11	8	83	81
£20,001 - £40,000	0	0	0	1	0	1	0	25
£40,001 - £60,000	0	0	1	0	1	0	45	0
£60,001 - £80,000	0	0	0	1	0	1	0	65
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	1	0	1	0	119	0
Total	0	0	13	10	13	10	247	172

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.

	2013/14	2014/15
	£000	£000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	71	67
Fees payable for the certification of grant claims and returns during the year	18	14
Total	89	81

15 - GRANT INCOME

The Council has credited the following grants, contributions and donations to the Comprehensive Income & Expenditure Statement in 2014/15:

Credited to Taxation & Non Specific Grant Income	2013/14 £000	2014/15 £000
Council tax income	13,955	14,647
Revenue Support Grant	4,281	3,275
Income from Retained Business Rates	21,244	22,427
Tarrif Payable	(18,760)	(19,126)
Levy Payable	0	(510)
Non-ringfenced Government Grants	4,154	3,905
Total	24,874	24,618
Credited to Services		
Housing Benefit Subsidy	46,219	46,871
Non-Domestic Rates - Cost of Collection	207	208
Council Tax Administration	382	175
New Legislation	245	146
Small Business Rate Relief	0	534
Retail Relief	0	174
New Homes Bonus	0	3,948
Flood Relief	120	10
Other Grants	156	668
Total	47,329	52,734

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

Capital Grants Receipts in Advance	31st March 2014 £000	31st March 2015 £000
Section 106 Contributions	1,313	1,861
Other Contributions	53	312
Total	1,366	2,173

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 2014/15 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 £22,640 with the Council. One Senior Officer also disclosed in interest as a board member of two groups, both of which receives grants from the Council.

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

Movements in 2014/15	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 2014	3,996	45,112	11,998	1,239	4,283	3,080	1,261	70,970
Additions	4	611	158	284	88	12	22	1,178
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	1,540	0	0	0	0	0	1,540
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(3,770)	0	0	0	0	0	(3,770)
Transfers between categories	0	1,250	0	0	0	0	(1,250)	0
Other movements in cost or valuation	(4)	(150)	0	0	0	0	(10)	(164)
At 31st March 2015	3,996	44,592	12,157	1,521	4,371	3,093	24	69,753
Accumulated Depreciation & Impairment								
At 1st April 2014	(2,437)	(1,593)	(4,149)	(928)	(2,049)	0	0	(11,155)
Depreciation charge	(201)	(1,300)	(757)	(239)	(286)	0	0	(2,785)
Depreciation written out to the Revaluation Reserve	0	563	0	0	0	0	0	563
Depreciation written out to the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	0
Transfers between categories	0	0	0	0	0	0	0	0
Other movements in cost or valuation	0	0	0	0	0	0	0	0
At 31st March 2015	(2,638)	(2,331)	(4,906)	(1,167)	(2,335)	0	0	(13,377)
Net Book Value								
At 31st March 2015	1,358	42,262	7,250	354	2,035	3,093	24	56,376
At 31st March 2014	1,562	43,518	7,849	311	2,234	3,080	1,261	59,814

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)
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	11,998	1,239	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	(13,582)
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)	(4,150)	(928)	(2,049)	0	0	(11,156)
Net Book Value								
At 31st March 2014	1,562	43,518	7,849	311	2,234	3,080	1,261	59,814

Analysis of Land & Buildings Movements 2014/15	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Theatres
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or Valuations												
At 1st April 2014	9,915	1,572	1,729	2,864	0	83	6,854	1,050	13,586	543	1,705	4,078
Additions		34			463				87	8	3	2
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(1,667)				31	113	1,216					
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(1,530)				(393)							
Assets Reclassified					1,250							
Other movements in cost or valuation		(36)							(87)	(8)	(3)	(2)
At 31st March 2015	6,718	1,570	1,729	2,864	1,350	195	8,070	1,050	13,586	543	1,705	4,078
Accumulated Depreciation & Impairment												
At 1st April 2014	(181)	(181)	11	(152)	0	0	(339)	(22)	(257)	(32)	(342)	(70)
Depreciation charge		(89)	(23)	(164)	(135)		(379)	(21)	(257)	(1)	(123)	(70)
Depreciation written out to the Revaluation Reserve	225						339					
Depreciation written out to the Surplus/Deficit on the Provision of Services												
Other movements in cost or valuation	10											
At 31st March 2015	54	(269)	(12)	(317)	(135)	0	(379)	(43)	(513)	(33)	(465)	(140)
Net Book Value												
At 31st March 2015	6,772	1,301	1,718	2,548	1,215	195	7,692	1,007	13,073	510	1,240	3,937
At 31st March 2014	9,734	1,391	1,740	2,712	0	83	6,515	1,028	13,330	511	1,363	4,008

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 2015.

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at fair value is revalued at least every 5 years. All valuations were carried out externally by Harrison's Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 1st April 2014 in accordance with the requirements of the Code of Practice, and are considered to be materially accurate at the Balance Sheet date.

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

	Infrastructure Assets £000	Community Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Assets Under Construction £000	Total £000
Carried at historical cost	3,997	3,093	421	12,155	1,523	4,370	25	25,585
Valued at fair value as at:								
31st March 2011			316					316
31st March 2012			698					698
31st March 2013			2,326					2,326
31st March 2014			24,815					24,815
31st March 2015			16,014					16,014
Total Cost or Valuation	3,997	3,093	44,589	12,155	1,523	4,370	25	69,754

18 - INVESTMENT PROPERTIES

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

	2013/14 £000	2014/15 £000
Balance at start of the year	12,567	12,727
Additions:		
Additions		2,498
Net gains/losses from fair value adjustments	161	737
Other changes	(2)	
Balance at end of year	12,727	15,962

19 – HERITAGE ASSETS: 5 YEAR SUMMARY OF TRANSACTIONS

	2010/11 £000	2011/12 £000	2012/13 £000	2013/14 £000	2014/15 £001
Balance Brought Forward	10,245	10,279	10,279	10,334	10,363
Acquisitions	34		55	29	21
Disposals					
Balance Carried Forward	10,279	10,279	10,334	10,363	10,384

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 2014	9,090	450	515	308	10,363
Additions					0
Reclassifications					0
31st March 2015	9,090	450	515	308	10,363
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

Museum Exhibits

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

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

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 is be possible to ascertain an accurate valuation.

In addition the Council owns a number of other assets. These have not been valued as it would not be cost-effective in terms of time and financial resources to do so. These include the balance of the museum exhibits referenced earlier in this note, 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		Short-Term	
	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
Investments				
Loans & receivables		5,000	12,559	11,022
Available-for-sale financial assets	11	11	8,000	5,084
	11	5,011	20,559	16,106
Bank Overdraft				
Debtors				
Loans & receivables	26	28	6,278	7,539
Creditors				
Financial liabilities at amortised cost			3,862	3,210
Other Long Term Liabilities				
Finance Lease Liabilities	1,671	1,177	604	457

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

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

Income & Expense

	Long-Term		Short Term	
	31st March 2014 £000	31st March 2015 £000	31st March 2014 £000	31st March 2015 £000
Income:				
Loans & Receivables		28	180	101
Available-for-sale Financial Assets			51	76
Other Interest				3
Total	0	28	231	180

Fair Value of Assets and Liabilities

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

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

22 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The Council's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the resources available to fund services. Risk management is carried out by the Head of Finance & Resources and the Treasury Management Accountant, under policies approved by the Council on 5 March 2014 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 2014/15 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 2014/15

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

- Increasing maximum durations limits with part nationalised institutions from 1 year to 2years;
- Invest up to £5m of core cash for over 1 year if rates were to improve. Possibility of using property funds;
- To consider the use of core cash during 2014/15 for internal borrowing if not used for longer term investments;
- All other investments short term (less than 1 year);
- No borrowing requirements for the year necessary except for short term.

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

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 2015 the investments were held with the following institutions:

	31st March 2014 £000	31st March 2015 £000
AAA rated Institutions	8,000	8,064
AA rated Institutions	0	42
A rated Institutions	11,175	11,000
Unrated Building Societies	0	2,000
UK Government	11	11
Total	19,186	21,117

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 does not currently have any borrowing 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 2014 £000	31st March 2015 £000
Call Accounts/Money Market Funds	6,175	5,022
Receivables	5,000	11,000
Available-for-Sale Financial Assets	8,011	5,095
Total	19,186	21,117

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.

Foreign Exchange Risk

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

23 – DEBTORS

Short Term

	2014/15 £000	2015/16 £000
Central government bodies	282	567
Other local authorities	51	89
Other entities and individuals	9,068	11,220
Total	9,401	11,877

The movement in the balances for Central Government and other local authorities is a reflection of the introduction of the new Business Rates Pooling Arrangement.

Other entities and individuals are broken down as follows:

	2013/14 £000	2014/15 £000
Council Tax payers	799	782
Business Rate payers	1,183	1,429
Capital debtors	482	648
General debtors	5,055	7,104
Payments in Advance	808	608
Other miscellaneous amounts	741	649
Total	9,068	11,220

24 - CASH & CASH EQUIVALENTS

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

	2013/14 £000	2014/15 £000
Cash held by the Council	12	12
Bank current accounts	1,290	146
Short-term deposits	14,228	8,106
Total	15,530	8,264

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

25 – CREDITORS

Short Term

	2013/14 £000	2014/15 £000
Central government bodies	1,477	2,812
Other local authorities	1,210	2,279
Other entities and individuals	5,659	4,948
Total	8,345	10,039

The movement in the balances for Central Government and other local authorities is a reflection of the introduction of the new Business Rates Pooling Arrangement.

Other entities and individuals are broken down as follows:

	2013/14 £000	2014/15 £000
General creditors	2,316	2,297
Capital creditors	272	132
Council tax payers	376	167
Business Rate payers	241	516
Receipts in advance	1,180	1,055
Deposits	1,133	727
Retentions	141	54
Total	5,658	4,948

26 - PROVISIONS

PROVISION FOR BAD DEBTS

	2013/14 £000	2014/15 £000
Excess Charges Provision	488	424
Sundry Bad Debts Provision	2,439	2,889
Total	2,927	3,313

PROVISION FOR BUSINESS RATES APPEALS

	2013/14 £000	2014/15 £000
Business Rates Appeals - Current	292	326
Business Rates Appeals - Backdated	859	742
Total	1,151	1,068

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.

27 - TRUST FUNDS

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

Gross expenditure in 2014/15 totalled £563,485 (£643,438 in 2013/14). Gross income in 2014/15 totalled £702,904 (£810,896 in 2013/14).

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

The assets and liabilities of the Trust as at 31st March 2015 may be summarised as follows:

	2013/14 £000	2014/15 £000
Fixed Assets:		
Cobtree Golf Course	1,152	1,050
Cobtree Manor Park	635	635
Kent Life Attraction	725	725
Investments	1,164	1,212
	3,676	3,622
Current Assets	320	723
Current Liabilities	215	450
Total assets less current liabilities	3,781	3,895
Total Charitable Funds	3,781	3,895

28 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

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

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

The value of the works carried out to date (£4.073m) has been reflected in the non-current assets total, with a matching entry shown as a deferred liability (less repayments made in 2014/15) 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

	2013/14 £000	2014/15 £000
Balance outstanding at start of year	2,552	2,124
Repayment of principal	(428)	(490)
Balance outstanding at end of year	2,124	1,634

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.

29 – CAPITAL RECEIPTS RESERVE

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

	31st March 2014 £000	31st March 2015 £000
Balance at 1st April	1,043	192
Capital Receipts Received	1,656	1,122
Capital Receipts Applied	(2,507)	(1,156)
Balance at 31st March	192	158

30 – EARMARKED RESERVES

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

	31st March 2014 £000	Contributions to/from Balances £000	31st March 2015 £000
New Homes Bonus funding for Capital	6,157	1,146	7,303
Local Plan	430	(77)	353
Neighbourhood Planning	110	(3)	107
Trading Accounts	179	0	179
Business Rates Growth	0	336	336
	6,876	1,402	8,278

Description of Reserves:

New Homes Bonus funding for Capital – the Council has chosen to set aside this funding from central government to fund large scale infrastructure projects in the capital programme.

Local Plan – this is funding set aside to support the on-going production of the Local Plan document.

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

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

Business Rates Growth – these are locally retained rates from the Business Rates Pool that the Council participates in, which will be used to support economic development initiatives.

31 - UNUSABLE RESERVES

	31st March 2014 £000	31st March 2015 £000
Revaluation Reserve	25,328	25,547
Capital Adjustment Account	56,220	56,309
Deferred Capital Receipts Reserve	25	27
Pensions Reserve	(56,477)	(70,680)
Collection Fund Adjustment Account	(486)	666
Accumulated Absences Account	(180)	(181)
Financial Instruments Adjustment Account	0	84
Total Unusable Reserves	24,430	11,772

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 2014 £000	31st March 2015 £000
Balance at 1st April	25,018	25,328
Upward revaluation of assets	3,296	2,103
Downward revaluation of assets	(2,720)	(1,847)
Disposals	(275)	
Difference between fair value depreciation and historical cost depreciation	9	(37)
Balance at 31st March	25,328	25,547

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 2014 £000	31st March 2015 £000
Balance at 1st April	57,460	56,220
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(2,441)	(2,786)
Amortisation of intangible assets	(280)	(231)
Prior Year Adjustments		
Revaluation Losses on Property, Plant & Equipment	(378)	(1,923)
Revenue expenditure funded from capital under statute	(3,333)	(1,619)
Write-off of non-enhancing capital expenditure	(104)	(163)
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)	0
	(7,997)	(6,722)
Adjusting amounts written out of the Revaluation Reserve	265	36
Net written out amount of the cost of non-current assets consumed in the year	(7,732)	(6,686)
Capital financing applied in the year:		
Sums set-aside for Debt Repayment	578	638
Use of the Capital Receipts Reserve to finance new capital expenditure	2,507	1,156
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,549	1,321
Application of grants to capital financing from the Capital Grants Unapplied Account		
Capital expenditure charged against the General Fund balance	1,697	2,923
	6,331	6,038
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	161	737
Balance at 31st March	56,220	56,309

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.

	2013/14	2014/15
	£000	£000
Opening balance at 1 April	48,985	56,476
Remeasurements of the net defined liability	5,574	11,987
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	4,936	5,417
Employer's pensions contributions	(3,019)	(3,200)
Closing balance at 31 March	56,476	70,680

32 - 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.

	2013/14 £000	2014/15 £000
Capital Investment		
Property, Plant & Equipment	2,156	1,017
Heritage Assets	0	21
Investment Properties	0	2,499
Intangible Assets	161	103
Non-enhancing capital expenditure	104	163
Revenue Expenditure Funded from Capital Under Statute	3,333	1,597
	5,753	5,400
Sources of Finance		
Capital receipts	2,507	1,156
Government grants & other contributions	1,549	1,321
Direct Revenue Contributions	1,697	2,923
	5,753	5,400

33 - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

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

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

Transactions Relating to Post-employment Benefits

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

	2013/14 £000	2014/15 £000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	2,840	2,858
- Past service costs including curtailments	148	141
- (Gain)/loss from settlements	(96)	0
Financing and Investment Income & Expenditure:		
- Net interest expense	2,044	2,418
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	4,936	5,417
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)	2,901	5,298
- Actuarial gains and losses arising on changes in financial assumptions	(2,776)	(17,436)
- Actuarial gains and losses arising on changes in demographic assumptions	(3,222)	0
- Experience gains and losses on defined benefit obligation	445	151
- Other actuarial gains and losses	(2,922)	0
Total Post Employment Benefit Charged to the CI&ES	(638)	(6,570)
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	4,936	5,417
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,019)	(3,200)

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 £45,000 (2013/14 £148,000).

Settlements

There were no liabilities settled at a cost materially different to the accounting reserve as a result of members transferring to / from another employer over the year (2013/14 £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:

	2013/14 £000	2014/15 £000
Present value of funded obligation	133,772	155,811
Fair value of plan assets	79,694	87,531
Contributions by scheme participants	54,078	68,280
Present value of unfunded obligation	2,398	2,400
Net liability arising from defined benefit obligation	56,476	70,680

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

	2013/14 £000	2014/15 £000
Opening fair value of Scheme assets	78,152	79,694
Interest on assets	3,322	3,486
Return on assets less interest	2,967	5,358
Other actuarial losses	(2,922)	0
Administration expenses	(66)	(60)
Contributions by employer including unfunded	3,019	3,200
Contributions paid by scheme participants	686	782
Estimated benefits paid plus unfunded net of transfers in	(5,266)	(4,929)
Settlement prices paid	(198)	0
Closing fair value of Scheme assets	79,694	87,531

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

	2013/14 £000	2014/15 £000
Opening balance at 1 April	127,137	136,170
Current Service cost	2,840	2,858
Interest cost	5,366	5,904
Remeasurement (gains) and losses		
- Change in financial assumptions	2,776	17,436
- Change in demographic assumptions	3,222	0
- Liabilities extinguished on settlements	(294)	0
- Experience loss/(gain) on defined benefit	(445)	(151)
Past service costs, including curtailments	148	141
Estimated benefits paid net of transfers in	(5,064)	(4,733)
Contributions by Scheme participants	686	782
Unfunded pension payments	(202)	(196)
Closing balance at 31 March	136,170	158,211

Local Government Pension Scheme Assets

	31st March 2014		31st March 2015	
	£000	%	£000	%
Equities	56,583	71	59,819	68.3%
Gilts	797	1	915	1.0%
Other Bonds	8,766	11	9,736	11.1%
Property	7,969	10	10,873	12.4%
Cash	2,391	3	2,393	2.7%
Target Return Portfolio	3,188	4	3,795	4.3%
Total	79,694	100	87,531	100.0%

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

	2013/14	2014/15
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	22.7	22.8
- Women	25.1	25.2
Longevity at 65 for future pensioners		
- Men	24.9	25.1
- Women	27.4	27.6
Financial Assumptions		
RPI increases	3.6%	3.2%
CPI increases	2.8%	2.4%
Salary increases	4.6%	4.2%
Pension increases	2.8%	2.4%
Discount Rate	4.4%	3.3%

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	155,532	158,211	160,938
- Projected Service Cost	3,409	3,491	3,575
Adjustment to long-term salary increase	+ 0.1%	0.0%	-0.1%
- Present Value of Total Obligation	158,524	158,211	157,900
- Projected Service Cost	3,493	3,491	3,489
Adjustment to pension increases and deferred revaluation	+ 0.1%	0.0%	-0.1%
- Present Value of Total Obligation	160,647	158,211	155,817
- Projected Service Cost	3,574	3,491	3,410
Adjustment to mortality age rating	+ 1 Year	None	- 1 Year
- Present Value of Total Obligation	152,666	158,211	163,806
- Projected Service Cost	3,372	3,491	3,611

Scheme History

	2010/11	2011/12	2012/13	2013/14	2014/15
	£000	£000	£000	£000	£000
Present value of assets in the Local Government Pension Scheme	70,211	69,969	78,152	79,694	87,531
Fair value of assets in the Local Government Pension Scheme	100,553	116,535	127,137	136,170	158,211
Surplus/(Deficit) in the scheme	(30,342)	(46,566)	(48,985)	(56,476)	(70,680)

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £70.680m 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 2016 are £3.008m.

34 – LEASES

Finance Leases – Council as Lessee

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

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

	31st March 2014 £000	31st March 2015 £000
Not more than 1 year	604	608
Later than 1 year and not later than 5 years	1,962	2,026
Later than 5 years	3,047	2,527
	5,614	5,161

35 - IMPAIRMENT LOSSES

During 2014/15 the Council did not identify any losses as a result of impairment.

36 - CONTINGENT LIABILITIES

The Council is 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 £0.142m, and the Council would be liable for 15% of this cost, which equates to £30,187.

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.

37 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Regeneration & Communities on 30th June 2015. 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 2015 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

	2013/14	2014/15
	£000	£000
Depreciation	(2,441)	(2,786)
Revaluation Gains & Losses	(378)	(2,086)
Amortisation of Intangible Assets	(280)	(231)
Movement in Provisions	(2,136)	(304)
Movement in Creditors	(2,062)	1,608
Movement in Debtors	(1,884)	2,443
Movement in Inventories	(11)	(6)
Movement in Pension Liabilities	(1,917)	(2,440)
Carrying amount of Non-Current Assets sold	(1,460)	0
Other Non-Cash items	161	737
	(12,408)	(3,066)

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

	2013/14	2014/15
	£000	£000
Net adjustment from the sale of short and long term investments	0	(29)
Capital Grants credited to surplus or deficit on the provision of services	1,880	1,321
Proceeds from sale of Property, Plant & Equipment	1,656	1,125
	3,536	2,417

40 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2013/14	2014/15
	£000	£000
Interest received	(231)	(209)
Interest paid	235	211
Dividends received		
	4	2

41 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2013/14 £000	2014/15 £000
Purchase of property, plant & equipment, investment property and intangible assets	2,456	3,780
Purchase of short-term and long-term investments	5,000	13,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,780)	(1,276)
Proceeds from short-term and long-term investments	(7,000)	(5,000)
Other receipts for investing activities (Grants)	(1,664)	(1,424)
Net cash flows from investing activities	(2,988)	9,081

42 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2013/14 £000	2014/15 £000
Cash receipts of short & long-term borrowing		
Other receipts from financing activities	367	0
Cash payments for the reduction of outstanding liabilities relating to finance leases		
Repayments of short & long-term borrowing	5	641
Other payments for financing activities	578	(3,580)
Net cash flows from financing activities	950	(2,939)

COLLECTION FUND STATEMENT & NOTES

2013/14 £000		2014/15 £000 £000	
	INCOME		
84,145	Income From Council Tax		87,560
56,222	Income From Business Rates (Note 2)		57,092
	Transfers from General Fund		79
140,367	Total Income		144,732
	EXPENDITURE		
	Precepts and Demands - Council Tax		
57,930	Kent County Council	59,797	
7,821	Kent Police & Crime Commissioner	8,073	
13,719	Maidstone Borough Council	14,226	
3,757	Kent & Medway Towns Fire Authority	<u>3,878</u>	85,973
	Shares of Business Rates		
27,458	Central Government	26,825	
4,942	Kent County Council	4,829	
21,966	Maidstone Borough Council	21,460	
549	Kent & Medway Towns Fire Authority	<u>537</u>	53,651
34	Transitional Protection Payments - Business Rates		305
	Impairment of Debts - Council Tax		
161	Write offs of uncollectable amounts	266	
24	Additional / (Reduced) Provision For Non Payment	<u>284</u>	550
	Impairment of Debts/Appeals - Business Rates		
468	Write offs of uncollectable amounts	344	
480	Additional / (Reduced) Provision For Non Payment	374	
	Losses on appeal	(2,697)	
2,878	Additional / (Reduced) Provision For Appeals	<u>2,490</u>	512
207	Cost of Collection Allowance - Business Rates		208
142,394	Total Expenditure		141,199
(2,027)	Surplus/(Deficit) For Year		3,533
247	Adjustment to Surplus - Council Tax		-
955	Adjustment to Surplus - Business Rates		-
448	Surplus/(Deficit) Brought Forward From Previous Years		(377)
1,427	Surplus/(Deficit) on Council Tax		2,543
(1,805)	Surplus/(Deficit) on Business Rates		613
(377)	Surplus/(Deficit) as at 31st March 2015		3,157

The Collection Fund is an agent’s statement that reflects the statutory obligation for billing authorities to maintain a separate Collection Fund. The statement shows the transactions of this council in relation to the collection from taxpayers and distribution to local authorities and the Government of council tax and non-domestic rates.

Notes to the Collection Fund

Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 1 April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner Kent & Medway 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: 55,675.1 for 2014/15 (55,155.1 for 2013/14) (see table below)]. This basic amount of council tax for a Band D property, £1,513.36 for 2014/15, (£1,483.82 for 2013/14) is multiplied by the proportion specified for the particular band to give an individual amount due. Parish Precepts are added to this basic amount.

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

Band	Number of Dwellings	Multiplier	Council Tax Base
Band A (incl disabled relief)	0.70	5/9	0.4
Band A	2,930.50	6/9	1,953.7
Band B	6,415.80	7/9	4,990.0
Band C	14,440.80	8/9	12,836.3
Band D	14,305.20	9/9	14,305.2
Band E	7,557.40	11/9	9,236.8
Band F	4,353.00	13/9	6,287.7
Band G	3,208.20	15/9	5,347.0
Band H	263.70	18/9	527.3
Other			190.7
			55,675.1

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 2014/15, the business rate multiplier was 48.2p (47.1p in 2013/14) and the small business multiplier was 47.1p (46.2p in 2013/14). The rateable value at 31st March 2015 was £142.632m (£141.490m at 31st March 2014).

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

The administration of business rates changed in 2013/14 following the introduction of a business rates retention scheme. 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 but also increases the financial risk due to volatility and non-collection of rates.

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

Where councils receive more business rates than their level of spending, a tariff payment is made to the Government. For 2014/15, it was calculated that the Council would receive £22.18m in business rates (£21.97m 2013/14) but would make a tariff payment of £19.13m (£18.76m 2013/14) 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.

For 2014/15 Maidstone Borough Council entered into a pooled arrangement with Kent County Council in order to minimise the levy payment due to central government and thereby maximise the local retention of locally generated business rates.

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

The Code of Practice followed by Local Authorities in England stipulates that a Collection Fund Income and Expenditure account is included in the Council's accounts. The Collection Fund balance sheet meanwhile is incorporated into the Council's consolidated balance sheet.

The collection fund statement on page 74 shows the statutory transactions relating to this fund.

Draft Annual Governance Statement

2014/15

(To follow)

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

Agenda Item 16

Audit Governance & Standards Committee

20th July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

Treasury Management Annual Review 2014/15

Final Decision-Maker	
Lead Director or Head of Service	Paul Riley, Head of Finance & Resources
Lead Officer and Report Author	Ellie Dunnet, Chief Accountant/John Owen, Accountant (Systems)
Classification	Non-exempt
Wards affected	All Wards

This report makes the following recommendations to the final decision-maker:

1. The Audit, Governance and Standards Committee note the review of the financial year 2014/15 in accordance with CIPFA's Code of Practice on Treasury Management.
2. The Audit, Governance and Standards Committee agrees that no amendments to the current treasury management procedures are necessary as a result of the review of activities in 2014/15.

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

Timetable

Meeting	Date
Policy and Resources Committee	N/A
Council	N/A
Other Committee	N/A

Treasury Management Annual Review 2014/15

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Council has adopted CIPFA's Treasury Management Code of Practice which recommends that a Mid Year Review and an Annual Review on the Treasury Management function covering activities during the previous year are reported to an appropriate committee.
 - 1.2 The Council has delegated this role to the Audit, Governance and Standards Committee.
-

2. INTRODUCTION AND BACKGROUND

2.1 This report sets out the activities of the Treasury Management function for 2014/15 financial year in accordance with CIPFA's Code of Practice on Treasury Management in Local Authorities. It also sets this in the context of the economic environment over the past 12 months.

2.2 The key elements of 2014/15 Strategy are:

- Increasing maximum durations limits with part nationalised institutions from 1 year to 2 years;
- Investing up to £5m of core cash for over 1 year if rates were to improve. Possibility of using property funds;
- To consider the use of core cash during 2014/15 for internal borrowing if not used for longer term investments;
- All other investments short term (less than 1 year);
- No borrowing requirements for the year necessary except for short term.

2.3 An Economic Overview of 2014/15

After strong UK GDP growth in 2013 at an annual rate of 2.7%, growth continued in 2014 at a rate of 0.6% in Q1, 0.8% Q2, 0.6% Q3 and 0.6% Q4 (annual rate for 2014 of 2.8% - the strongest rate since 2006). The Bank of England maintained its GDP forecast for 2015 at 2.9%, but revised up its forecasts for 2016 and 2017 to 2.9% and 2.7% respectively, from 2.6% in both years.

CPI had fallen to 0% in February 2015, the lowest since 1960. This may well lead to the UK experiencing negative inflation, however this has yet to happen.

2.4 Interest Rate Forecast

The Council's treasury advisor, Capita Asset Services, has provided the following forecast:

	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16	Mar-17	Jun-17	Sep-17	Dec-17	Mar-18
Bank rate	0.50%	0.50%	0.50%	0.75%	0.75%	1.00%	1.25%	1.25%	1.50%	1.50%	1.75%	2.00%
5yr PWLB rate	2.20%	2.30%	2.50%	2.60%	2.70%	2.80%	3.00%	3.10%	3.20%	3.30%	3.40%	3.50%
10yr PWLB rate	2.80%	3.00%	3.10%	3.20%	3.40%	3.50%	3.60%	3.70%	3.80%	3.90%	4.00%	4.10%
25yr PWLB rate	3.40%	3.60%	3.80%	3.90%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%	4.70%
50yr PWLB rate	3.40%	3.60%	3.80%	3.90%	4.00%	4.20%	4.30%	4.40%	4.50%	4.60%	4.60%	4.70%

This latest forecast includes a move in the timing of the first increase in Bank Rate from quarter 4 of 2015 to quarter 1 of 2016 as a result of the sharp fall in inflation, however this may yet slip again into quarter 2 of 2016. The Governor of the Bank of England, Mark Carney, has repeatedly stated that increases in Bank Rate will be slow and gradual.

The Monetary Policy Committee is concerned about the impact of increases on many heavily indebted consumers, especially when average disposable income is only starting to gradually increase as a result of wage inflation now running marginally above the depressed rate of CPI inflation.

2.5 Maidstone Borough Council Overview

All investments during 2014/15 have been short term (less than 1 year) with the exception of the following:

- £3m Lloyds Bank for 2 years at a rate of 1.3%
- £2m Royal Bank of Scotland for 2 years. First year rate 1%, second year 1.44%

The use of property funds was looked at during the year, however the net returns (after deducting management fees), were judged to be insufficient to justify the level of risk associated with this type of investment and the length of time funds would have been tied up for.

The balance of investments as at 31st March 2015 was £21.1m. A breakdown of investments is listed within **Appendix I**.

The average rate on council investments during the year was 0.68%. Investment income for the year was £204k against a budget of £250k. The shortfall is due to the fact that rates have not increased as anticipated.

The only borrowing that occurred during the year was for £1.5m from Rhondda Cynon Taff County Borough Council from 20th June to 27th June 2015 (7 days) at a rate of 0.28%. This was for short term liquidity reasons as a consequence of lower than expected income levels. The total cost of this borrowing amounted to £80.55.

2.6 Annual Investment Strategy

The Treasury Management (TM) Strategy was approved for 2014/15 by Council in March 2014. The Council's Annual Investment Strategy, which is incorporated in the TM Strategy outlines the Council's investment priorities as follows:

- Security of Capital
- Liquidity
- Yield

The Council will aim to achieve optimum return on investments after having satisfied proper levels of security and liquidity. It was agreed to keep investments short term with highly credit rated financial institutions, using the credit worthiness list, information provided by the Council's investment advisors, Capita Asset Services, along with sharing information with other local authorities and being mindful of market intelligence.

2.7 Borrowing

The Council has a provision for long term borrowing of up to £6m for capital investment purposes specified within the strategy, with an overall limit for external borrowing of £10m. No long term borrowing was required during 2014/15 as there were sufficient internal resources available to finance the capital programme. The Council did however borrow for short term purposes as listed within 2.4 above.

2.8 Prudential and Treasury Indicators

It is a statutory duty for the Council to determine and keep under review "Affordable Borrowing Limits".

During the financial year 2014/15, the Council has operated with the prudential and treasury indicators set out in the Treasury Management Strategy Statement and in compliance with the Council's Treasury management Practices. The prudential and treasury indicators are shown within **Appendix II**.

2.9 Cash Management

The major element of the Council's Treasury Management function is the management on a daily basis of the cash requirements of the Council. The policy objectives are:

- The minimisation of the daily credit bank balance, subject to the clearance of monies overnight;

- Interest earned on investments should be maximised subject to the **security** of funds being paramount;
- Interest paid on borrowing should be minimised;
- Adequate funds should be available to meet precept, business rates and other payments as they fall due;
- Cash management activities are carried out in accordance with the agreed Treasury Management Strategy.

3. AVAILABLE OPTIONS

- 3.1 The Audit, Governance and Standards Committee agrees that no amendments to the current procedures are necessary as a result of the review of activities in 2014/15.
- 3.2 The Audit, Governance and Standards Committee proposes changes to the current procedures as a result of the review of activities in 2014/15.

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 The Audit, Governance and Standards Committee agrees that no amendments to the current procedures are necessary as a result of the review of activities in 2014/15 as there is no justification to make any changes.

5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

- 5.1 None

6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

- 6.1 If Audit, Governance and Standards Committee agrees that no change in current procedures with Treasury management will be made, then there will be no further action.

7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	None	
Risk Management	Risk management is included within the Treasury Management Practices to which the Council adheres. These risks	Paul Riley, Head of Finance &

	<p>comprise of:</p> <ul style="list-style-type: none"> • credit and counterparty risk, • liquidity risk, • interest rate risk and • exchange rate risk, refinancing risk (however, the Council only deals in its home currency sterling). • Legal & regulatory risk • Fraud, error and corruption • Market risk management 	Resources
Financial	This report relates to the financial activities of the council in respect of treasury management and specific financial implications are therefore detailed within the body of the report.	Zena Cooke, Dir. of Communities & Regeneration and Corporate Finance
Staffing	None	
Legal	This report is in compliance with statutory and legal regulations, e.g. CIPFA Code of Practice on Treasury Management in Local Authorities.	Estelle Culligan, Deputy Head Legal Partnership
Equality Impact Needs Assessment	None	
Environmental/Sustainable Development	None	
Community Safety	None	
Human Rights Act	None	
Procurement	None	
Asset Management	None	

8. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- Appendix I: List of Investments held as at 31st March 2015
- Appendix II: The Prudential and Treasury Indicators

9. BACKGROUND PAPERS

MAIDSTONE BOROUGH COUNCIL
INVESTMENTS AS AT 31ST MARCH 2015

Type of Investment/Deposit	Counterparty	Issue Date	Maturity Date	Amount Invested £	Interest Rate %	Credit Limits £	
						Maximum Deposit	Suggested Term
Call account	Lloyds Bank			2,000,000	0.75	8,000,000	2yrs
Call account	Svenska Handelsbanken			41,897	0.25	5,000,000	1yr
Money Market Fund	Goldman Sachs			2,980,000	0.43	8,000,000	2yrs
Money Market Fund	Ignis Asset Services			5,084,021	0.68	8,000,000	2yrs
Fixed Term Deposit	Skipton Building Society	11/12/2014	11/06/2015	1,000,000	0.68	2,000,000	6mnths
Fixed Term Deposit	Skipton Building Society	28/01/2015	28/07/2015	1,000,000	0.70	2,000,000	6mnths
Fixed Term Deposit	Nationwide Building Society	09/02/2015	10/08/2015	1,000,000	0.66	3,000,000	6mnths
Fixed Term Deposit	Lloyds Bank	14/10/2014	13/10/2015	2,000,000	0.70	8,000,000	2yrs
Fixed Term Deposit	Lloyds Bank	29/01/2015	28/01/2016	1,000,000	1.00	8,000,000	2yrs
Fixed Term Deposit	Lloyds Bank	22/07/2014	22/07/2016	3,000,000	1.30	8,000,000	2yrs
Fixed Term Deposit	Royal Bank of Scotland	11/03/2015	11/03/2017	2,000,000	1/1.44	8,000,000	2yrs
	Government Stock			10,783	Various	8,000,000	2yrs

Total

21,116,701

PRUDENTIAL INDICATORS

Ratio of Financing Costs to Net Revenue Stream

2013/14 Actual %	2014/15 Estimate %	2014/15 Actual %
-0.9	-1.3	-0.8

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. As there is no borrowing this shows as a negative figure as it is based on investment income only.

Incremental Impact of Capital Investment Decisions on the Council Tax

	2013/14 Actual £,000	2014/15 Estimate £,000	2014/15 Actual £,000
i) Forecast of total budgetary requirement no changes to capital programme	6,057	5,971	4,211
ii) Forecast of total budgetary requirement after changes to capital programme	5,008	4,211	5,400
iii) Additional Council Tax Required in £.p.	-0.37	-0.84	0.78

Demonstrates the affordability of the capital programme. It also demonstrates the impact of the capital programme upon the Council Tax.

Capital Expenditure

2013/14 Actual £,000	2014/15 Estimate £,000	2014/15 Actual £,000
2,095	5,561	4,742

This is the actual capital expenditure against the estimate for 2014/15

Capital Financing Requirement

2013/14 Actual £,000	2014/15 Estimate £,000	2014/15 Actual £,000
1,902	-65	1,283

The CFR is simply the total historic outstanding capital expenditure which has not yet been paid for from either revenue or capital resources. It is essentially a measure of the Council's underlying borrowing need. The CFR includes the liability for the arrangement with Serco Paisa for leisure centre improvements. Whilst these increase the CFR, and therefore the Council's borrowing requirement, these types of scheme include a borrowing facility and so the Council is not required to separately borrow for these schemes.

Treasury Indicators

Authorised Limit for External Debt

	2013/14 Actual £,000	2014/15 Estimate £,000	2014/15 Actual £,000
Borrowing	0	10,000	1,500
Other Long Term Liabilities	5,856	5,426	5,426
Total	5,856	15,426	6,926

This is the main limit which set as a maximum for external borrowing. It fulfils the requirements under section 3 of the Local Government Act 2003. Only short term borrowing was undertaken during this period

Operational Limit for External Debt

	2013/14 Actual £,000	2014/15 Estimate £,000	2014/15 Actual £,000
Borrowing	0	6,000	1,500
Other Long Term Liabilities	5,856	5,426	5,426
Total	5,856	11,426	6,926

This limit should be the focus of day to day treasury management. It is similar to the Authorised Limit but excludes the allowance for temporary cash flow borrowing as perceived as not necessary on a day to day basis

Actual External Debt

	2013/14 Actual £,000	2014/15 Estimate £,000	2014/15 Actual £,000
Actual Borrowing	0	0	0
Other Long Term Liabilities	5,856	5,426	5,426
Total	5,856	5,426	5,426

Actual point in time of external borrowing

Audit, Governance & Standards

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?	Yes
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External Audit Fee Letter 2015-16

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Director or Head of Service	Paul Riley, Head of Finance & Resources
Lead Officer and Report Author	Ellie Dunnet, Chief Accountant
Classification	Non-exempt
Wards affected	N/A

This report makes the following recommendations to the final decision-maker:

1. That the committee notes the proposed audit fee of £61,893 for 2015-16 audit work to be undertaken by Grant Thornton.

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

Timetable

<i>Meeting</i>	<i>Date</i>
Audit, Governance & Standards Committee	20 July 2015

External Audit Fee Letter 2015-16

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report communicates the proposed external audit fee for 2015-16, as set by the Audit Commission prior to its closure on 31 March 2015.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 The council's external auditors for 2015-16 will be Grant Thornton as in previous years. Following the closure of the Audit Commission, responsibility for overseeing the current audit contract and setting fees from 2016-17 onwards has been passed to Public Sector Audit Appointments Ltd.
- 2.2 The letter from Grant Thornton attached at **Appendix I** sets out the details of the 2015-16 fee including the scope and timing of planned audit work for the forthcoming year.

3. AVAILABLE OPTIONS

- 3.1 The committee are asked to note this report. There are no alternative options as the council has a statutory obligation to have its accounts externally audited.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 As stated elsewhere in this report, the committee are asked to note the proposed audit fee for 2015-16.
- 4.2 The main audit fee has been set at £50,475 for 2015-16, which represents a reduction of £16,825 compared with the anticipated 2014-15 fee of £67,300. This fee covers the financial statements audit and value for money conclusion.
- 4.3 In addition to this, the indicative fee for grant claim certification work has been set at £11,418, compared with £13,910 in 2014-15. This relates to the certification of the housing benefits subsidy claim.
- 4.4 The proposed reductions in audit fee for 2015-16 are a result of the procurement exercise undertaken by the Audit Commission prior to its closure in March.
-

5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	There is no direct impact on corporate priorities.	
Risk Management	There is risk that the council could incur additional fees if the external auditor identifies significant issues which give rise to additional audit work needing to be undertaken. Officers will work closely with Grant Thornton throughout the year in order to minimise this risk.	Section 151 Officer & Finance Team
Financial	The proposed 2015-16 audit and grant claim certification fees of £50,475 and £11,418 respectively represent an overall reduction of £19,317 from the 2014-15 fee.	Section 151 Officer & Finance Team
Staffing	Not applicable	
Legal	Not applicable	
Equality Impact Needs Assessment	Not applicable	
Environmental/Sustainable Development	Not applicable	
Community Safety	Not applicable	
Human Rights Act	Not applicable	
Procurement	Not applicable	
Asset Management	Not applicable	

6. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- **Appendix I:** External Audit Fee Letter 2015-16

7. BACKGROUND PAPERS

None

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15 April 2015

Dear Alison

Planned audit fee for 2015/16

Before it closed on 31 March 2015, the Audit Commission was asked to set the scale fees for audits for 2015/16. The Commission published its work programme and scales of fees for 2015/16 at the end of March 2015. In this letter we set out details of the audit fee for the Council along with the scope and timing of our work and details of our team.

Scale fee

The Audit Commission defines the scale audit fee as “the fee required by auditors to carry out the work necessary to meet their statutory responsibilities in accordance with the Code of Audit Practice. It represents the best estimate of the fee required to complete an audit where the audited body has no significant audit risks and it has in place a sound control environment that ensures the auditor is provided with complete and materially accurate financial statements with supporting working papers within agreed timeframes.”

The Council's scale fee for 2015/16 has been set by the Audit Commission at £50,475 which compares to the audit fee of £67,300 for 2014/15. The reduction in fees has been enabled by the procurement exercises run by the Commission across both the Local Government and Health sectors.

After the Commission's closure, the 2015/16 work programme and fees will be accessible from the archived Audit Commission website from the National Archives http://webarchive.nationalarchives.gov.uk/*/http://www.audit-commission.gov.uk/ and on the Public Sector Audit Appointments PSAA website psaa.co.uk

The audit planning process for 2015/16, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

Chartered Accountants

Grant Thornton UK LLP is a limited liability partnership registered in England and Wales: No.OC307742. Registered office: Grant Thornton House, Melton Street, Euston Square, London NW1 2EP. A list of members is available from our registered office. Grant Thornton UK LLP is authorised and regulated by the Financial Conduct Authority.
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Scope of the audit fee

The scale fee covers:

- our audit of your financial statements
- our work to reach a conclusion on the economy, efficiency and effectiveness in your use of resources (the value for money conclusion)
- our work on your whole of government accounts return.

Value for Money conclusion

Under the Audit Commission Act, we must be satisfied that the Council has adequate arrangements in place to secure economy, efficiency and effectiveness in its use of resources, focusing on the arrangements for:

- securing financial resilience; and
- prioritising resources within tighter budgets.

We undertake a risk assessment to identify any significant risks which we will need to address before reaching our value for money conclusion. We will assess the Council's financial resilience as part of our work on the VfM conclusion and provide feedback in our Audit Findings Report.

Certification of grant claims and returns

The Council's indicative grant certification fee has been set by the Audit Commission at £11,418, which compares to the certification fee of £13,910 for 2014/15.

Billing schedule

Fees will be billed as follows:

Main Audit fee	£
September 2015	12,618.75
December 2015	12,618.75
March 2016	12,618.75
June 2016	12,618.75
Grant Certification	
December 2016	11,418
Total	61,893

Outline audit timetable

We will undertake our audit planning and interim audit procedures in December 2015 to March 2016. Upon completion of this phase of our work we will issue a detailed audit plan setting out our findings and details of our audit approach. Our final accounts audit, work on the VfM conclusion and work on the whole of government accounts return will be completed by the end of September 2016.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	December 2015 – March 2016	Audit plan	The plan summarises the findings of our audit planning and our approach to the audit of the Council's accounts and VfM.
Final accounts audit	July to September 2016	Audit Findings (Report to those charged with governance)	This report sets out the findings of our accounts audit and VfM work for the consideration of those charged with governance.
VfM conclusion	February to September 2016	Audit Findings (Report to those charged with governance)	As above
Whole of government accounts	September 2016	Opinion on the WGA return (or conclusion that no audit is required)	This work will be completed alongside the accounts audit.
Annual audit letter	October 2016	Annual audit letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	July to December 2016	Grant certification report	A report or letter summarising the findings of our grant certification work

Our team

The key members of the audit team for 2015/16 are:

	Name	Phone Number	E-mail
Engagement Lead	Darren Wells	01293 554 120	darren.j.wells@uk.gt.com
Engagement Manager	Keith Hosea	020 7728 3231	keith.j.hosea@uk.gt.com
In Charge Auditor	Rachel Patton	020 7728 3207	rachel.patton@uk.gt.com

Additional work

The scale fee excludes any work requested by the Council that we may agree to undertake outside of our Code audit. Each additional piece of work will be separately agreed and a detailed project specification and fee agreed with the Council.

Quality assurance

We are committed to providing you with a high quality service. If you are in any way dissatisfied, or would like to discuss how we can improve our service, please contact me in the first instance. Alternatively you may wish to contact Paul Dossett our Public Sector Assurance regional lead partner at paul.dossett@uk.gt.com

Yours sincerely

A handwritten signature in black ink, appearing to read 'D Wells', with a stylized, cursive script.

Darren Wells
Engagement Lead
For Grant Thornton UK LLP

Agenda Item 18

Audit, Governance & Standards

20 July 2015

Is the final decision on the recommendations in this report to be made at this meeting?

Yes

External Audit Update July 2015

Final Decision-Maker	Audit, Governance & Standards Committee
Lead Director or Head of Service	Paul Riley, Head of Finance & Resources
Lead Officer and Report Author	Ellie Dunnet, Chief Accountant
Classification	Non-exempt
Wards affected	None

This report makes the following recommendations to the final decision-maker:

1. That the committee notes the external auditor's update report attached at **Appendix I**.

This report relates to the following corporate priorities:

- Great People
- Great Place
- Great Opportunity

Timetable

<i>Meeting</i>	<i>Date</i>
Audit, Governance & Standards Committee	20 July 2015

External Audit Update July 2015

1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The committee are invited to consider the report of the external auditor which provides an update on progress with the 2014-15 audit and offers a summary of emerging national issues and developments of relevance to the local government sector.
- 1.2 Representatives from Grant Thornton will be in attendance at the meeting to present their report and respond to questions.
-

2. INTRODUCTION AND BACKGROUND

- 2.1 External audit services are provided by Grant Thornton who successfully tendered for the five year contract from 2012-13 following the abolition of the Audit Commission's audit practice.
- 2.2 This report provides an update on progress with the 2014-15 audit and informs committee members of a number of relevant emerging issues and developments.
-

3. AVAILABLE OPTIONS

- 3.1 The committee could choose not to consider this report, however this option is not recommended as to do so could have an adverse impact on the Audit, Governance and Standards Committee's ability to discharge its responsibilities in relation to external audit and governance.
-

4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 Given the respective responsibilities of both the external auditor and this committee, an update report of this nature is judged to be appropriate for consideration by committee members.
-

5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	The report is focused on ensuring that the auditor's opinion on the 2014-15 financial statements and value for money conclusion are issued by the statutory deadline of 30 September 2015.	Section 151 Officer & Finance Team
Risk Management	This report supports the committee in the	Section 151

	delivery of its governance responsibilities. It also helps to mitigate the risk of non-compliance with the statutory timetable for the production and audit of the annual accounts through timely communication of any potential issues.	Officer & Finance Team
Financial	Not applicable	
Staffing	Not applicable	
Legal	Not applicable	
Equality Impact Needs Assessment	Not applicable	
Environmental/Sustainable Development	Not applicable	
Community Safety	Not applicable	
Human Rights Act	Not applicable	
Procurement	Not applicable	
Asset Management	Not applicable	

6. REPORT APPENDICES

The following documents are to be published with this report and form part of the report:

- **Appendix I:** External Audit Update July 2015

7. BACKGROUND PAPERS

None

External Audit Update for the Audit, Governance and Standards Committee of Maidstone Borough Council

Year ended 31 March 2015

20 July 2015

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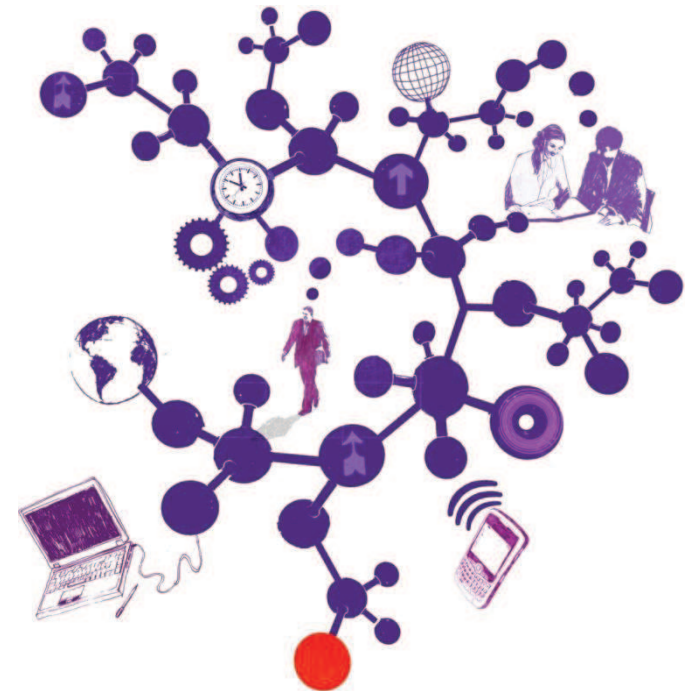
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In-charge

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The contents of this report relate only to the matters which have come to our attention, which we believe need to be reported to you as part of our audit process. It is not a comprehensive record of all the relevant matters, which may be subject to change, and in particular we cannot be held responsible to you for reporting all of the risks which may affect your business or any weaknesses in your internal controls. This report has been prepared solely for your benefit and should not be quoted in whole or in part without our prior written consent. We do not accept any responsibility for any loss occasioned to any third party acting, or refraining from acting on the basis of the content of this report, as this report was not prepared for, nor intended for, any other purpose.

Contents

Section	Page
Introduction	4
Progress at July 2015	5
Emerging issues and developments	
Grant Thornton	7
Local government issues	10
Accounting and audit issues	13

209

Introduction

This paper provides the Audit, Governance and Standards Committee with a report on progress in delivering our responsibilities as your external auditors. The paper also includes:

- a summary of emerging national issues and developments that may be relevant to you; and
- a number of challenge questions in respect of these emerging issues which the Committee may wish to consider.

Members of the Committee can find further useful material on our website www.grant-thornton.co.uk, where we have a section dedicated to our work in the public sector (<http://www.grant-thornton.co.uk/en/Services/Public-Sector/>). Here you can download copies of our publications including:

- Spreading their wings: Building a successful local authority trading company
- Easing the burden, our report on the impact of welfare reform on local government and social housing organisations
- All aboard? our local government governance review 2015
- Stronger futures: development of the local government pension scheme
- Rising to the challenge: the evolution of local government, summary findings from our fourth year of financial health checks of English local authorities
- 2020 Vision, exploring finance and policy future for English local government
- Where growth happens, on the nature of growth and dynamism across England

If you would like further information on any items in this briefing, or would like to register with Grant Thornton to receive regular email updates on issues that are of interest to you, please contact either Darren Wells, your Engagement Lead or Keith Hosea, your Audit Manager.

Progress at July 2015

Work	Planned date	Complete?	Comments
<p>2014-15 Accounts Audit Plan We are required to issue a detailed accounts audit plan to the Council setting out our proposed approach in order to give an opinion on your 2014-15 financial statements.</p>	March 2015	Yes	We presented the Audit Plan to the March meeting of the Audit Committee. This set out the risks we identified in our audit and the work we proposed to carry out to address these.
<p>Interim accounts audit Our interim fieldwork visit includes:</p> <ul style="list-style-type: none"> • updating our review of the Council's control environment • updating our understanding of financial systems • review of Internal Audit reports on core financial systems • early work on emerging accounting issues • early substantive testing 	January 2015 March 2015	Yes	We updated our understanding of your control environment and systems in January. We carried out further work, including early testing of transaction streams, in March. We reflected our initial findings from this work in the Audit Plan we issued in March. We have no further issues to report to you at this point.
<p>2014 -15 final accounts audit Including:</p> <ul style="list-style-type: none"> • audit of the 2014-15 financial statements • proposed opinion on the Council's accounts 	July 2015	N/A	<p>This work is underway and we will give the Committee a brief verbal update on progress at the meeting.</p> <p>We will report the findings from our audit to the September meeting of this Committee.</p>

Progress at July 2015

Work	Planned date	Complete?	Comments
<p>Value for Money (VfM) conclusion</p> <p>The scope of our work to inform the 2014-15 VfM conclusion comprises:</p> <ul style="list-style-type: none"> • Review of your arrangements to secure financial resilience in the foreseeable future; • Review of your arrangements to challenge how to secure value for money. 	<p>March 2015</p> <p>July 2015</p>	N/A	<p>We completed the initial risk assessment for this work in March and reflected our findings and the work to be completed in the Audit Plan which we presented to the previous meeting.</p> <p>Further work to assess your arrangements is in progress and we will report a summary of our findings in our Audit Findings Report in September.</p>
<p>2014/15 Certification of claims</p> <p>We expect that the housing benefit subsidy claim will be the only return we are required to certify this year.</p>	<p>June to July 2015</p>	N/A	<p>We have made good progress in our certification work on this claim and will provide a brief verbal update at the meeting.</p>

Spreading their wings: Building a successful local authority trading company

Grant Thornton

Our report, 'spreading their wings' focuses on how to set up a local authority trading company and, importantly, how to make it successful. It is available at <http://www.grant-thornton.co.uk/Global/spreading-their-wings-LATC-report-2015.pdf>

The trend in using alternative models to protect and develop services has continued over the last year. As councils continue to confront financial pressure, many have considered how to reduce costs, generate income and improve efficiency by introducing commercial structures.

The introduction of LATCs has been a key part of this innovation and we predict that the number will grow in the next five years. While restricted initially to areas such as entertainment or airports – for example Birmingham's NEC and Manchester Airport – LATCs have grown into new areas such as highways, housing and education. More recently, LATCs dedicated to the delivery of social care services have emerged.

We recognise that the delivery of a successful company is not easy. In light of this, this report provides practical guidance on the steps that need to be followed in:

- deciding to set up a local authority trading company
- setting up a local authority trading company
- building a successful local authority trading company.

Grant Thornton has worked with many LATCs and continues to support growth in this area. We have based this report on market research, interviews with councils and LATCs, and our own experience of working with LATCs and councils. It is a practical guide drawing on our own experiences but also on the successful companies we have worked with.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Welfare Reform Review: Easing the burden

Grant Thornton

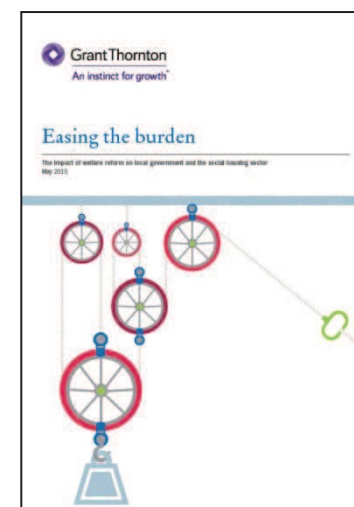
Our second welfare reform report, 'Easing the burden' provides insight into the impact of welfare reform on English local authority and social housing organisations over the past two years. It is available at <http://www.grant-thornton.co.uk/Global/Easing-the-burden-welfare-reform-report.pdf>

It focuses on the governance and management arrangements being put in place across the two sectors to deliver reform, the early signs of how successful the reforms have been and the upcoming issues and risks on the reform agenda in the wider context of social impact.

The key messages include:

- The cumulative effect of various welfare reforms is putting a significant financial strain on those people needing welfare support
- The majority of local authorities and housing associations surveyed have seen a rise in average council tax and rent arrears since 2012/13, which they attributed at least in part to welfare reform
- There has been limited movement to smaller properties as a result of the spare room subsidy and benefit cap reforms,
- Local authorities are becoming reliant on Discretionary Housing Payments (DHP) to plug the gap for those unable to pay.
- Any reduction in DHP funding from central government is therefore likely to result in further increases to rent arrears and homelessness in the next two years, unless mitigated by other means
- The withdrawal of ring-fenced hardship funding (formerly the Social Fund) will result in a reduction of provision, as the majority of local authorities told us that they are not in a position to fund this from their own revenue
- Reductions in DHP, hardship funding and general funding reductions inhibit the ability of local authorities and housing associations to pursue early intervention policies, preventing people falling into long-term benefit dependency. This has cost implications for the medium- to long-term.
- The cost of administering housing benefit is rising as a result of welfare reform. Around half of local authorities and housing associations surveyed said housing benefit is becoming significantly more costly to administer, partly due to the increased complexity of cases.

Hard copies of our report are available from your Engagement Lead or Audit Manager.



Creating a sustainable financial future: Local government finance roundtable

Grant Thornton

Our report summarises the findings of our recent round table discussions with 34 local authority senior finance officers, looking at how to create a sustainable financial future and incentivise authorities to become 'engines of growth' for the English regions.

The discussion was based around two key questions:

- What funding model is needed to create a sustainable financial future for local government?
- What funding model is needed to incentivise authorities to support local and regional growth?

The consensus view was that the current funding model is 'broken' and the report argues that a more balanced relationship is needed between central and local government in England. In particular, a new funding model is required that provides local government with more autonomy, places its financial stability in its own hands and addresses the dual needs of 'resource equalisation' and 'incentivising growth'.

Taking on board these helpful insights and our wider research, Grant Thornton recommends that within:

- one year the Government should assess the impact of Revenue Support Grant reductions on councils ability to deliver safe services (and put in the necessary safeguards to protect the vulnerable) and should provide clarity on the long term retention of business rates growth by local government.
- three years pilots of different models of local government autonomy should be tested
- five years local government should be autonomous with business and council tax raising powers



The Queen's Speech 2015 – what it means for local government

Local government issues

The Queen's Speech was presented to Parliament on 27th May 2015 and set out the new government's policies and proposed legislative programme for the next parliamentary session. There are a range of proposals impacting on local government, including:

- A Cities and Local Government Devolution Bill aimed at boosting growth and increasing local government productivity and efficiency. It will provide the legislative framework to deliver the Greater Manchester deal and other future deals. The provisions of the bill will be applied to specified combined authorities and their areas, led by an elected mayor.
- A Housing bill extending right to buy legislation to housing associations and requiring local authorities to dispose of high-value vacant council houses. This bill will also introduce measures to simplify and speed up the neighbourhood planning system other changes to housing and planning legislation to support housing growth.
- An Education and Adoption bill that aims to speed up intervention in failing schools and requires inadequate, and coasting schools to become academies. It is also planned to introduce regional adoption agencies, working across local authority boundaries to reduce delays in the adoption system.

Local Government New Burdens

Local government issues

The National Audit Office (NAO) published its review of new burdens on local government on 5th June 2015.

In 2011, the government reaffirmed its commitment to the New Burdens Doctrine (the Doctrine). The Doctrine set out how the government would ensure that new requirements that increased local authorities' spending or reduced their income did not lead to excessive council tax increases. The Doctrine commits the government to assess and fund extra costs for local authorities from introducing new powers, duties and other government-initiated changes.

The NAO report considers the new burdens regime, how it is managed and overseen and the DCLG's arrangements for new burdens assessments. It concludes that:

- government departments have embraced the new burdens Doctrine and the DCLG's guidance has promoted consistent assessment and encouraged consultation with local government on the impact of new requirements;
- however, the government is not sufficiently open about which new burdens are assessed or the outcomes of assessments; and
- the DCLG has not promoted post implementation reviews to ensure funding is adequate.

The NAO also concludes that the DCLG needs to use intelligence from new burdens regime better, to improve its understanding of the pressures affecting local authorities' financial sustainability.

English devolution – local solutions for a successful nation

Local government issues

The Local Government Association's (LGA) white paper on devolution includes a warning to the new government that the principle of cuts without reform could stifle growth and development and challenge the sustainability of vital local services. The paper sets out:

- Why devolution matters
- The principles to sustain devolution
- A road map to follow to help deliver reform
- Proposals that will strengthen accountability and governance in the new system

It states that:

218 *Local government has done more than any other part of the public sector over the course of the last parliament to make the public finances more sustainable and managed to do so while protecting front line services. All evidence suggests that this cannot continue over the next five years without more radical reform. Given the continuing need to reduce the national deficit, only a reinvigorated agenda for reform, underpinned by sustainable funding for local services, will deliver the ambition of the new Government for our communities and national economy.*

Understanding your accounts – Member guidance

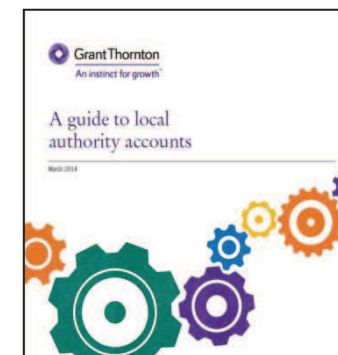
Accounting and audit issues

As members of the Committee responsible for approving and issuing the Council's financial statements, you are not expected to be financial experts, and local authority financial statements are complex and can be difficult to understand (even to those from a financial background!).

In 2014 we prepared a guide for Members to use as part of their review of the financial statements. It explains the key features of the primary statements and notes that make up a set of financial statements. It also includes key challenge questions to help Members assess whether the financial statements show a true and fair view of their authority's financial performance and financial position. Any new members of the Audit, Governance and Standards Committee may find this guide helpful.

The guide considers the :

- explanatory foreword – which should include an explanation of key events and their effect on the financial statements
- annual governance statement – providing a clear sense of the risks facing the authority and the controls in place to manage them
- movement in reserves statement – showing the authority's net worth and spending power
- comprehensive income and expenditure statement – reporting on the year's financial performance and whether operations resulted in a surplus or deficit
- balance sheet – a 'snapshot' of the authority's financial position at the year end; and
- other statements and additional disclosures



We have provided copies of the Guide to Local Authority accounts to the Council for distribution to Committee members.

2014/15 Accounts hot issues

Accounting and audit issues

As part of our audit of local authorities 2014/15 accounts we will be considering the following issues

Provisions for business rates appeals – as a result of a change in rules relating to business rates appeals we do not expect to see provisions for unlodged appeals in 2014/15 accounts

Early payment of pension contributions – we expect authorities that are spreading the impact of pension deficit contributions to obtain legal advice (either internally or externally) to determine the amounts that are chargeable to the general fund and the accounting judgements and treatment in the 2014/15 accounts should reflect the advice received

Inclusion of overtime in the calculation of holiday pay – authorities that are likely to be affected in a material way by the Employment Appeal Tribunal judgement on the extent to which overtime pay should be included in the calculation of holiday pay should include an appropriate provision in their 2014/15 accounts

Challenge question

Has your review of the Council's 2014/15 accounts included consideration of these hot issues?



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