

# AGENDA

## AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING



Date: Monday 26 June 2017  
Time: 6.30 pm  
Venue: Town Hall, High Street,  
Maidstone

Membership:

Councillors Adkinson, Butler, Coulling (Parish  
Representative), Daley, English,  
Fissenden, Garland, Harvey,  
McLoughlin (Chairman) and Perry

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

**Continued Over/:**

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**Issued on Friday 16 June 2017**

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](http://www.maidstone.gov.uk)

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

4.	Disclosures by Members and Officers	
5.	Disclosures of Lobbying	
6.	To consider whether any items should be taken in private because of the possible disclosure of exempt information	
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### **PUBLIC SPEAKING**

In order to book a slot to speak at this meeting of the Audit, Governance and Standards Committee, please contact Debbie Snook on 01622 602030 or by email on [committeeservices@maidstone.gov.uk](mailto:committeeservices@maidstone.gov.uk) by 5.00 p.m. one clear working day before the meeting. If asking a question, you will need to provide the full text in writing and specify the Councillor to whom it is to be put. If making a statement, you will need to say which agenda item you wish to speak on. Please note that slots will be allocated on a first come, first served basis.

## **MAIDSTONE BOROUGH COUNCIL**

### **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

#### **MINUTES OF THE MEETING HELD ON 20 MARCH 2017**

**Present:** Councillor McLoughlin (Chairman) and Councillors Adkinson, Coulling (Parish Representative), Cox, Daley, English, Fissenden, Garland, Perry and Mrs Riden (Parish Representative)

**Also Present:** Mr D Wells – Grant Thornton (External Auditor)

64. **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Councillor Vizzard.

65. **NOTIFICATION OF SUBSTITUTE MEMBERS**

It was noted that Councillor Cox was substituting for Councillor Vizzard.

66. **NOTIFICATION OF VISITING MEMBERS**

There were no Visiting Members.

67. **DISCLOSURES BY MEMBERS AND OFFICERS**

There were no disclosures by Members or Officers.

68. **DISCLOSURES OF LOBBYING**

There were no disclosures of lobbying.

69. **EXEMPT ITEMS**

**RESOLVED:** That the items on the agenda be taken in public as proposed.

70. **MINUTES OF THE MEETING HELD ON 16 JANUARY 2017**

**RESOLVED:** That the Minutes of the meeting held on 16 January 2017 be approved as a correct record and signed subject to the amendment of the tenth bullet point on page 4 to read:

The commercialisation agenda was now focused on housing, *commercial property* and regeneration having regard to lessons learned and appropriate mitigation.

Note: Councillor Garland entered the meeting after consideration of this item (6.36 p.m.). Councillor Garland indicated that he had nothing to declare in terms of interests or lobbying.

#### 71. INTERNAL AUDIT & ASSURANCE PLAN 2017/18

The Committee considered the report of the Head of Audit Partnership setting out the Internal Audit and Assurance Plan 2017/18, including the proposed assurance projects list.

The Head of Audit Partnership advised the Committee that:

- The Internal Audit and Assurance Plan reflected the results of the planning process which began late last year to consider the appropriate audit response to the risks and challenges facing the Council over 2017/18. The aim of the Internal Audit Service was to work towards delivering a robust opinion on the Council's internal controls, risk and governance arrangements. The Plan represented the programme by which the Service intended to examine these risks, review project work in 2017/18 and provide additional governance support whilst working towards delivering that opinion and supporting the Council's wider governance aims.
- The Plan included the level of resources available to the Internal Audit Service for completing audit plans across the four Partnership authorities in 2017/18. Based on anticipated personnel and productivity within the Service, it was expected that 1,820 days would be available. This was an increase of 110 days (7%) on 2016/17 and reflected a settled team in 2017/18, a continued increase in productivity as trainees gained experience and the over-performance of management time against forecasts for 2016/17.
- As agreed by the Shared Service Board in late 2014, the total days were allocated between the partners in line with their financial contribution to the Partnership's costs. The total Mid-Kent Audit Service share to Maidstone in 2017/18 was 530 days, an increase of 30 days from the 2016/17 level.
- As Head of Audit Partnership, he was required to consider whether the level of resources available was adequate to allow him to complete the programme of work, and he was satisfied that it provided the appropriate level of resources. As part of that consideration, he had looked at the number of audit days across the 42 district councils in South East England and he was satisfied that the level of resources available was not inconsistent with those Councils that shared characteristics with Maidstone.
- The Plan also covered some of the broader governance tasks to be undertaken such as risk management, counter fraud, supporting Members, including the provision of Member training and briefings on areas of Committee interest, and work on audit planning. The Service was looking at expanding its role with respect to supporting the



Council's counter fraud arrangements in 2017 driven by forthcoming changes to the CIPFA Counter Fraud Standards.

- The Plan included details of the risk assessment process resulting in a working list of potential projects to consult on with Senior Officers. That consultation had led to the production of the list of audit assurance projects included in the Plan. For each project there was an indication of how many days of staff input it was estimated would be appropriate to complete the work. This would be determined in more detail when the Service started to scope out the work in consultation with the Officers nearer the time that the work was scheduled to be completed.
- The Council was engaged in a number of partnerships across Mid-Kent Services and reviews of shared services such as payroll would be undertaken in partnership with the appropriate authorities.
- During the planning and risk assessment consideration was given to several areas where direct review was not suitable for 2017/18. In some cases this was because the relatively low risk allowed for a longer period between reviews. In other cases, the Service was aware of changes that would make review in 2018/19 or later more useful or it relied on a cyclical approach to scheduling reviews that happened to omit 2017/18. The Plan also included details of areas of audit interest which were expected to feature in future years, but they were areas that were kept under review and could come forward if risks changed.
- The Plan made reference to the approach to delivering audit work and to monitoring delivery of the work undertaken, including the performance indicators reported twice a year to the Committee.
- The table in Appendix A to the Plan set out the recurring range of areas of potential examination by the Service together with information about when it was last looked at, the assurance rating and the timing of the next planned review.

In response to questions, the Head of Audit Partnership explained that:

- In 2014/15, the Internal Audit Service changed its assurance ratings. Previously, the scale ran from (greatest to least assurance) High – Substantial – Limited – No Assurance. Although there were differences in the detailed definitions, as a broad analogy, these mapped to the current scale which ran from Strong – Sound – Weak – Poor, so a consistent colour scheme had been employed between the two scales. In practical terms, a weak assurance rating was an acknowledgement that a service might be effective in some areas, but its effectiveness was not universal, and there were areas of the service that fell short of what the Council would expect. Support was required to bring the service to a level where the assurance rating was sound or strong.
- The increase in the Plan days allocated for counter fraud work to 50 days reflected the release by the National Fraud Initiative of more than 2,000 new matches in January 2017, around a third of which would

need to be examined by Internal Audit as an extension to its previous co-ordination and administration role, and the major review and refresh to be undertaken by the Team across the breadth of counter fraud policies.

- In terms of the “weak” assurance rating in respect of S106 agreements, the review had been carried in June/July 2016 and a number of recommendations had been made which the Planning Service had accepted and was working towards. An update would be included in the Internal Audit Annual Report on how successful the Service had been in implementing the recommendations.
- Internal and External Audit covered similar areas and worked closely together. The External Auditor had visited the Council recently and Internal Audit had been asked to complete a questionnaire to convey to the External Auditor the findings from their work and the extent to which they influenced the specific reviews undertaken by the External Auditor. Specific assurance from one to the other was less now to what it was mainly because the standards to which Internal and External Audit operated had diverged to an extent. To rely on a piece of work undertaken by Internal Audit, the External Auditor would have to re-perform such a large part of it that it would achieve only minimal savings compared to doing it themselves. Nevertheless, Internal Audit did have a role to play in providing assurance to the External Auditor on the overall quality of the Council’s control environment and its governance - aspects that the External Auditor took into account when looking at sample sizes, materiality etc. and scheduling its programme of work.
- With regard to the 2016/17 contingency outturn to date (150 days compared to 50 Plan days), there had been two additional programmes of work which had to be pursued, these being an extensive review of health and safety and an investigation following a referral originally through a whistleblowing route. The contingency budget represented a best guess and the outturn could be higher or lower than anticipated.
- The Internal Audit reviews of health and safety and the Officer Register of Interests had found weak controls to be in place. In terms of the risk of non-compliance, given that the next planned reviews of these areas did not fall due until 2018/19 and 2019/20 respectively, there was no specific regulatory requirement to undertake Internal Audit reviews of the arrangements in either area. Work was now focused on assessing the implementation of the recommendations arising from the reviews. A lot of the recommendations arising from the review of health and safety were now falling due in line with the action plan, and an update on progress in implementing the recommendations would be included in the Internal Audit Annual Report.
- Whilst the arrangements for registering Members’ interests were sound, possibly strong, the arrangements for Officers to declare interests were not as robust, and the recommendations arising from the review were being addressed to raise the assurance rating. The risk assessment

was kept under review and he was satisfied that when the area was looked at again in 2019/20, the Council would not have been exposed to undue risk by it not being looked at in the meantime. The risk assessment might change if the facts changed, and if they did change materially, then further updates would be reported back to the Committee.

- A report reviewing the position with regard to S106 contribution balances would be considered at the next meeting of the Planning Committee.
- Benchmarking to compare net revenue spend against the number of planned audit days for district councils in South East England showed audit provision at Maidstone to be consistent with that of its peer groups, and not so out of line as to require an explanation. Each local authority would have its own views on the risks relevant to that authority and the level of audit provision. It was considered that the Internal Audit Service had sufficient resources in both quality and ability to deliver the Audit Plan and a robust overall audit opinion.

The Committee thanked the Head of Audit Partnership for a clear and comprehensive report.

**RESOLVED:**

1. That the Internal Audit and Assurance Plan for 2017/18, attached as Appendix I to the report of the Head of Audit Partnership, be noted.
2. That the longer term issues recorded by Mid-Kent Audit be noted.
3. That the view of the Head of Audit Partnership that the Plan sets out sufficient resource to complete a work programme leading to a Head of Audit Opinion on the Council's internal controls, risk management and governance be endorsed.
4. That the Head of Audit Partnership's assurance that the Plan is compiled independently and without inappropriate influence from management be noted.

72. **EXTERNAL AUDIT PROGRESS REPORT MARCH 2017**

Mr Darren Wells presented the report of the External Auditor on the progress to date against the 2016/17 audit plan. The report also provided a summary of emerging national issues and developments of relevance to the local government sector.

Members thanked Mr Wells for a clear and well-presented report.

**RESOLVED:** That the External Auditor's progress report, attached as Appendix A to the report of the Director of Finance and Business Improvement, be noted.

### 73. EXTERNAL AUDITOR'S AUDIT PLAN

Mr Darren Wells presented the External Auditor's audit plan for ensuring the delivery of the financial statements audit opinion and value for money conclusion by the statutory deadline of 30 September 2017. The report included details of the significant risks identified, the concept of materiality, the results of the work undertaken to date and the anticipated audit fee.

Members thanked Mr Wells for a clear and concise report.

**RESOLVED:** That the External Auditor's Audit Plan for the year ending 31 March 2017, attached as Appendix A to the report of the Director of Finance and Business Improvement, be noted.

### 74. BUDGET STRATEGY RISK ASSESSMENT UPDATE

The Committee considered the report of the Director of Finance and Business Improvement updating the risk assessment of the Budget Strategy.

It was noted that the risk profile had been reviewed by the Finance Service with input from Internal Audit since it was last presented to the Committee in January 2017. Most of the factors considered in the review had had no, or only marginal, implications for risk impact and likelihood. The only exception was commercialisation where the risk was that the commercial activities currently being delivered and projected in the Medium Term Financial Strategy did not deliver the expected level of income. The budget overspend on the Mote Park Café was now projected to be £197k, and the decision had been made to outsource the management of the Café from autumn 2017 to mitigate the risk. Whilst mitigation measures were being put in place, for the time being it was considered appropriate to increase the risk likelihood score from 2 to 3 for commercialisation and this was reflected in the risk matrix and risk register.

In response to questions, the Director of Finance and Business Improvement explained that:

- In terms of the risks associated with the delivery of savings, plans for delivering savings in 2017/18 would be reviewed early in the new financial year and the risks would be reassessed.
- It should be recognised that risks were not usually discrete and there were inter-relationships between the risks.
- There was a difference between setting and delivering a balanced budget and the risk register would be amended accordingly. The Strategic Revenue Projections indicated a balanced budget position for the Council in 2017/18 and 2018/19 provided that all planned savings were delivered. However, there was a shortfall between savings identified and savings required in the remaining three years of the five

year budget planning period due to the “negative Revenue Support Grant” that the Government planned to levy on the Council in 2019/20 and uncertainty around future local government funding following the end of the current four year funding settlement from 2020/21 onwards.

- The commercialisation agenda was now focused on housing, commercial property and regeneration, and there was a better understanding of the skills available in-house and the areas where it was necessary to bring in outside expertise. For example, consultants were being used to procure a contractor for the Mote Park Adventure Zone.
- Whilst the Internal Audit and Assurance Plan 2017/18 included a review of the Council’s contract management arrangements, measures were being put in place to achieve minimum standards for contract management.

During the discussion on this item, it was suggested and agreed that, to provide assurance, an update should be provided at a future meeting of the Committee on the minimum standards to be adhered to by contract managers as a regulatory regime, together with examples.

**RESOLVED:**

1. That the updated risk assessment of the Budget Strategy, attached as Appendix A to the report of the Director of Finance and Business Improvement, be noted.
2. That the risk register be amended to reflect the difference between setting and delivering a balanced budget.
3. That an update be provided at a future meeting of the Committee on the minimum standards to be adhered to by contract managers as a regulatory regime, together with examples.

75. COMMITTEE WORK PROGRAMME 2016/17

The Committee reviewed the programme of work which had been undertaken during 2017/18. It was noted that the Employment Committee had requested that a report be submitted to a future meeting evaluating the costs/benefits of the Investors in People Accreditation, and the findings could be shared with this Committee.

**RESOLVED:** That the position be noted.

76. DURATION OF MEETING

6.30 p.m. to 7.35 p.m.

# Agenda Item 8

## **MAIDSTONE BOROUGH COUNCIL**

### **AUDIT, GOVERNANCE AND STANDARDS COMMITTEE**

#### **MINUTES OF THE MEETING HELD ON TUESDAY 23 MAY 2017**

**Present:** Councillor McLoughlin (Chairman), and  
Councillors Adkinson, Mrs Blackmore, Boughton,  
Daley, English, Fissenden, Harvey and Perry

1. **APOLOGIES FOR ABSENCE**

It was noted that apologies for absence had been received from Councillors Butler, Couling (Parish Representative) and Garland.

2. **NOTIFICATION OF SUBSTITUTE MEMBERS**

The following Substitute Members were noted:-

Councillor Blackmore for Councillor Butler  
Councillor Boughton for Councillor Garland

3. **ELECTION OF CHAIRMAN**

**RESOLVED:** That Councillor McLoughlin be elected as Chairman of the Committee for the Municipal Year 2017/18.

4. **ELECTION OF VICE-CHAIRMAN**

**RESOLVED:** That Councillor English be elected as Vice-Chairman of the Committee for the Municipal Year 2017/18.

5. **DURATION OF MEETING**

6.30 p.m. to 6.34 p.m.

<b>Audit Governance &amp; Standards Committee</b>		<b>26 June 2017</b>
Is the final decision on the recommendations in this report to be made at this meeting?		<b>Yes</b>

## Complaints received under the Members' Code of Conduct

<b>Final Decision-Maker</b>	Audit Governance & Standards Committee
<b>Lead Head of Service</b>	Estelle Culligan – Interim Head of Legal Partnership
<b>Lead Officer and Report Author</b>	Donna Price – Interim Deputy Head of Legal Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

<b>This report makes the following recommendations to this Committee:</b> 1. The Committee are asked to note the contents of the report.
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<b>This report relates to the following corporate priorities:</b> <ul style="list-style-type: none"> <li>• Keeping Maidstone Borough an attractive place for all</li> <li>• Securing a successful economy for Maidstone Borough</li> </ul> <p>Promoting the Code of Conduct and dealing with complaints effectively and efficiently is essential in ensuring high standards of conduct amongst members are upheld as this is an integral part of the decision making processes and delivery of the council's priorities.</p>
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<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Audit Governance & Standards Committee	26 June 2017

# Complaints received under the Members' Code of Conduct

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This is the fifth report by the Monitoring Officer updating the committee on complaints received under the Members' Code of Conduct. This report provides an update for the period 1 January 2017 to 31 May 2017.
  - 1.2 The committee are asked to note the contents of the report.
- 

## 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 Constitution adopted in May 2015 (and is unchanged from the previous Code of Conduct).
- 2.2 The Localism Act 2011 requirement to adopt a Code of Conduct also applied to all the Parish Councils. Consequently, all the Parish Councils in the Maidstone area adopted their own Codes of Conduct with the majority adopting the Borough Council's Code of Conduct.
- 2.3 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.
- 2.4 The Constitution stipulates that oversight of Code of Conduct complaints would fall under the terms of reference of the Audit, Governance and Standards Committee.
- 2.5 As part of the committee's oversight function it is agreed that the Monitoring Officer provide reports on complaints to the Audit, Governance and Standards Committee. It should be noted that the Localism Act 2011 repealed the requirement to publish decision notices; therefore in providing the update to the committee the names of the complainant and the councillor complained about are both kept confidential in accordance with the Data Protection Act 1998.
- 2.6 Since the last report to this Committee on 16 January 2017 there has been one new complaint which relates to three separate subject members.
- 2.7 The complaint relates to parish councillors and as of 12 June 2017 this is at the initial assessment stage.
- 2.8 In the last report to the Committee one complaint was awaiting initial assessment. The complaint was not progressed as it failed the local assessment criteria.



- 2.9 The new Constitution provides for a Hearings Sub-Committee to meet to consider any complaint which remains valid after investigation and consideration by the Monitoring Officer in consultation (as required) with the Independent Person. To date the Hearings Sub-Committee has not yet been required to meet.
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### **3. PREFERRED OPTION**

- 3.1 That the committee note the update on complaints received under the Member's Code of Conduct.
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### **4. CONSULTATION**

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

### **5. CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	High standards of conduct are essential amongst members in delivering the council's priorities and the Code of Conduct and complaints procedure supports this.	Interim Deputy Head of Legal Partnership
<b>Risk Management</b>	An effective Code of Conduct and robust complaints procedure minimises the risk of member misconduct and is part of an effective system of governance.	Interim Deputy Head of Legal Partnership
<b>Financial</b>	Should it be necessary to appoint external Independent Investigators the cost of this will be met by the Borough Council	Interim Deputy Head of Legal Partnership
<b>Staffing</b>	The complaints procedure is dealt within the remit of the Monitoring Officer with input from the Legal Team as required.	Interim Deputy Head of Legal Partnership
<b>Legal</b>	The requirements of the	Interim

	Localism Act 2011 with regards to the Code of Conduct and complaints procedure are set out within the report. The reporting process ensures that the committee continues its oversight of the Code of Conduct as required by the Constitution.	Deputy Head of Legal Partnership
<b>Equality Impact Needs Assessment</b>	Any potential to disadvantage or discriminate different groups within the community should be overcome within the adopted complaints procedures.	Policy and Information Manager
<b>Environmental/Sustainable Development</b>	N/A	Interim Deputy Head of Legal Partnership
<b>Community Safety</b>	N/A	Interim Deputy Head of Legal Partnership
<b>Human Rights Act</b>	N/A	Interim Deputy Head of Legal Partnership
<b>Procurement</b>	All complaints are dealt with in the context of the Human Rights Act	Interim Deputy Head of Legal Partnership
<b>Asset Management</b>	N/A	Interim Deputy Head of Legal Partnership

## 6. REPORT APPENDICES

None

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## 7. BACKGROUND PAPERS

None

## Audit, Governance and Standards Committee

**26 June 2017**

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

**No**

## Annual Governance Statement 2016-17

<b>Final Decision-Maker</b>	Policy and Resources Committee
<b>Lead Head of Service</b>	Head of Policy, Communications and Governance
<b>Lead Officer and Report Author</b>	Angela Woodhouse, Head of Policy, Communications and Governance
<b>Classification</b>	Public
<b>Wards affected</b>	All

### This report makes the following recommendations to this Committee:

1. To review and approve the Annual Governance Statement 2016-17 and Local Code of Corporate Governance 2017 prior to submission to the Policy and Resources Committee on 28 June 2017.

### This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all - Effective corporate governance arrangements ensure the council's priorities are understood and delivered
- Securing a successful economy for Maidstone Borough -Effective corporate governance arrangements ensure the council's priorities are understood and delivered

### Timetable

<b>Meeting</b>	<b>Date</b>
Corporate Leadership Team	6 June 2017
Audit, Governance and Standards Committee	26 June 2017
Policy and Resources Committee	28 June 2017

# Annual Governance Statement 2016-17

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Attached at Appendix A is the Annual Governance Statement for 2016-17, the purpose of the Annual Governance Statement is to provide assurance on the council's governance arrangements.
- 1.2 Attached at Appendix B is the Local Code of Corporate Governance, which has been rewritten to meet the requirements of the new CIPFA and Solace framework 2016.

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## 2. INTRODUCTION AND BACKGROUND

- 2.1 Each year we carry out a review of our Governance arrangements to ensure compliance with the Local Code of Corporate Governance. The purpose of the review is to provide assurance that governance arrangements are adequate and operating effectively and to identify action which is planned to ensure effective governance in the future. The outcome of the review takes the form of an Annual Governance Statement prepared on behalf of the Leader at the Council and Chief Executive.
- 2.2 The Council produces an Annual Governance Statement (AGS) to accompany the statement of accounts. The Audit, Governance and Standards Committee is asked to consider this statement prior to submission to Policy and Resources and signing by the Leader and Chief Executive. The statement looks back at the governance arrangements for 2016-17 and identifies areas for action for 2017-18.
- 2.3 A new Local Code of Corporate Governance has been developed to reflect the 'Delivering Good Governance Framework' introduced by CIPFA/Solace in 2016. The format of the AGS has also been updated.
- 2.4 Action taken last year includes the introduction of a mandatory training module for data protection, new policies and guidance for all staff on information management. A new Member Sounding Board has been introduced and has met regularly to look at communication issues and how members can be engaged and informed. There were a number of web casting issues in 2016-17 these have now been resolved through the hard work of the Democracy Committee, democratic services team working with the provider.
- 2.5 Overall the governance arrangements are sound. However, there are a number of areas where improvements can be made, including contract management, areas that continue to have weak assurance following audit reviews and ensuring the council is prepared for the new General Data Protection Regulations.

### **3. AVAILABLE OPTIONS**

- 3.1 The Committee is asked to review the Annual Governance Statement and make amendments prior to submission to the Policy and Resources Committee.
- 

### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The Committee is asked to review the Annual Governance Statement and action plan and approve the areas suggested for improvement for 2017-18 prior to submission to Committees.
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### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 The Council's Corporate Governance Working Group has reviewed the Annual Governance Statement (AGS) the next stage is review by the Audit Governance and Standards Committee prior to submission to Policy and Resources Committee.
- 

### **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 The AGS and Local Code of Corporate Governance will be considered by Audit Governance and Standards Committee and then Policy and Resources prior to signing by the Leader and Chief Executive. Once approved the Code and Annual Governance Statement will be made available on our website and shared with our external auditors.
- 

### **7. CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	Effective corporate governance arrangements ensure the council's priorities are understood and delivered	Head of Policy Communications and Governance
<b>Risk Management</b>	The AGS considers and gives assurance on the Council's approach to risk management	Head of Policy Communications and Governance
<b>Financial</b>	This report has no direct financial implications. The AGS is a requirement of statutory	Director of Finance and Business

	regulations and provides assurance about the Council's governance arrangements.	Improvement
<b>Staffing</b>	There are implications in relation to training and information management in the action plan for 2017-18	Head of Policy Communications and Governance
<b>Legal</b>	There are no legal implications, good governance ensures we meet statutory requirements.	Head of Policy, Communications and Governance
<b>Equality Impact Needs Assessment</b>	Good governance ensures the council is adhering to the public sector equality duty	Policy & Information Manager
<b>Environmental/Sustainable Development</b>	N/A	Head of Policy Communications and Governance
<b>Community Safety</b>	N/A	Head of Policy Communications and Governance
<b>Human Rights Act</b>	N/A	Head of Policy Communications and Governance
<b>Procurement</b>	N/A	Head of Policy Communications and Governance
<b>Asset Management</b>	N/A	Head of Policy Communications and Governance

## 8. REPORT APPENDICES

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

- Appendix A: Annual Governance Statement 2016-17
- Appendix B: Local Code of Corporate Governance 2017

**Maidstone Borough Council**

**Annual Governance Statement**

**2016-17**

## **Introduction**

The Annual Governance Statement is a review of the council's governance arrangements in 2016-17. The statement evaluates how we meet the governance framework and provides an opinion on whether the current governance arrangements are fit for purpose.

## **Our Responsibilities**

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

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

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

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

The Council has approved and adopted a Local Code of Corporate Governance, which is consistent with the principles of the Chartered Institute of Public Finance & Accountancy (CIPFA) and Society of Local Authority Chief Executive's (SOLACE) Framework [Delivering Good Governance in Local Government Guidance Notes for English Authorities 2007 updated 2012](#). We will be adopting



a new local code of corporate governance to take into account the new 2016 framework in June 2017.

### **Our Governance Framework**

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

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

This governance framework has been in place at Maidstone Borough Council for the year ended 31 March 2016 and up to the date of approval of the Statement of Accounts.

#### **Our Governance Principles**

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

## Review of Effectiveness

### 1) We will focus on our purpose and on outcomes for the community in creating and implementing a vision for the local area.

The Council has a clear vision set out in the [Strategic Plan](#). In 2016/17 the Council refreshed and updated the Strategic Plan, this was led by Committees using information from the last [resident survey and budget consultation](#) roadshow carried out in Autumn 2016 in locations across the Borough. Outcomes are measured through strategy action plan updates, performance measures and targets which are reported regularly to Wider Leadership Team and the Policy and Resources Committee. To ensure the delivery of the strategic plan priorities and actions each service is required to produce a service plan and individuals also identify how they meet the priorities in their objectives for the year. The Investors in People (IiP) review in January 2017 identified Strategic Planning as a strength, *"Staff clearly understand the challenges ahead and all take part in discussing service plans and their contribution."*

A resident survey will be undertaken in June 2017 to identify satisfaction with our services, areas for improvement and residents priorities.

A Member Sounding Board was formed in 2016 to consider how Councillors engage with officers, public consultation and engagement, share information as well as get involved in communications projects such as the residents' survey. This has ensured Councillors have an opportunity at an early stage to influence public engagement. The board has looked at the proposed changes to the Internet requesting that accessibility issues are taken into consideration in the new design.

The Council's performance management arrangements were audited in 2016-17, recommendations to improve the engagement in performance management and data quality were made and will be implemented in 2017-18. The Council produced an end of year performance report in 2016, it is planned to combine this with the Annual Report in 2017.

## 2) Councillors and officers will work together to achieve a common purpose with clearly defined functions and roles.

The Council's [Constitution](#) clearly defines the roles and responsibilities of Officers and Councillors. The Head of Legal Partnership has reviewed the constitutional arrangements and made recommendations for amendment in 2016/17. These covered clarifying the roles and responsibilities of Heads of Service and some changes to procedure rules.

The [Democracy Committee](#) is charged with amending the council's constitution and has considered constitutional matters throughout the year. The Democracy Committee has begun a review into appointments to outside bodies to be completed in 2017, they also considered the web casting arrangements and held the provider to account in a meeting to discuss the problems with the system and solutions.

The [Audit, Governance and Standards Committee](#) purpose is to promote and maintain high standards of Councillor and Officer conduct within the Council. The Committee has responsibility for adopting and reviewing the Annual Governance Statement; independent assurance of the adequacy of the financial and risk management framework and the associated control environment. In 2016 they commissioned [a review](#) of whistle blowing which resulted in a new charter and briefings for staff and managers on the new policy.

The recent IiP assessment identified Member and Officer relationships as an area for development in 2017/18. It identified that "*Collaborative working needs to be focused on to ensure that MBC can achieve in challenging times.*" As a result an away day has been planned with Councillors and Corporate Leadership Team in Summer 2017.

The Strategic Plan was refreshed in 2016-17 a process which involved workshops with Committee Chairs and Vice Chairs and then input via committee meetings from each service committee. As a result we have identified three priority areas for 2017-18:

- A Home for Everyone
- Providing a Clean and Safe Environment; and
- Regenerating the Town Centre

### 3) Councillors and officers will promote our values and demonstrate the values of good governance through upholding high standards of conduct and behaviour

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

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

The recent IiP identified that:

*"The STRIVE Values are embedded in all people processes such as recruitment, induction and within the appraisal process. In particular, the STRIVE awards presented at 'One Council' briefings work really well to reinforce the importance of positive behaviours."*

There is an [Equality Policy](#) in place for the organisation and the equality objectives will be refreshed in 2017-18.

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

The [Audit, Governance and Standards Committee](#) purpose is to promote and maintain high standards of Councillor and Officer conduct within the Council.

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

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

#### 4) Taking informed and transparent decisions which are subject to effective scrutiny and risk management

A [Member Development Plan](#) was delivered in 2016-17 including training set by Committees such as planning and licensing. Training was not always well attended and the Democracy Committee was asked to review the training needs for 2017-18. The plan for 2017-18 has been developed in consultation with the Democracy Committee

We have introduced in 2016-17 work programmes for the four service committees, Democracy Committee and Audit, Governance and Standards Committee. These programmes detail the decisions and reports for the year and are reviewed monthly by each committee.

Our work to implement and embed improved risk management arrangements has continued throughout 2016-17, and builds on the work set out in last year's annual governance statement action plan. The highest level risks on the Comprehensive [Risk Register](#), were reported and monitored by Corporate Leadership Team throughout the year, and action taken to manage risks to an acceptable level. Further to this, risks updates were reported to Policy & Resources Committee and also to Audit, Governance and Standards Committee during the year for oversight and challenge. This momentum of work will continue into 2017-18 as the Council works to refresh its corporate level risks, and seeks to establish its risk appetite.

Whilst the Council demonstrates there is good quality advice and support for councillors and officers in relation to the council's decision making process, it has been identified that report writing could be improved. As such a refresh of the report template and report writing and training is planned for 2017-18 for officers. As part of the refresh of the template we will look at best practice elsewhere as well as current expectations of both Councillors and Officers.

## **5) Developing the capacity of Councillors and Officers to be effective**

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

The appraisal process for staff includes a personal development section where staff are encouraged to think about development needs and identify training required. This information is then fed into the Learning and Development team and assists with the development of the programme for the year. The Council has a management toolkit and training programme and will be introducing the "Maidstone manager" in 2017-18 which will set out the behaviour and standards that are expected of managers. This was developed with staff at staff forum meetings and through team talks across the Council.

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

The recent assessment identified action needed to improve succession planning and this will be taken forward alongside other areas of development by a wider leadership team project group.

**6) The Authority will engage with local people and other stakeholders to ensure robust public accountability.**

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

A new Communication and Engagement Strategy was approved in 2016-17 with actions aligned to our corporate priorities and action areas. This will be refreshed in 2017.

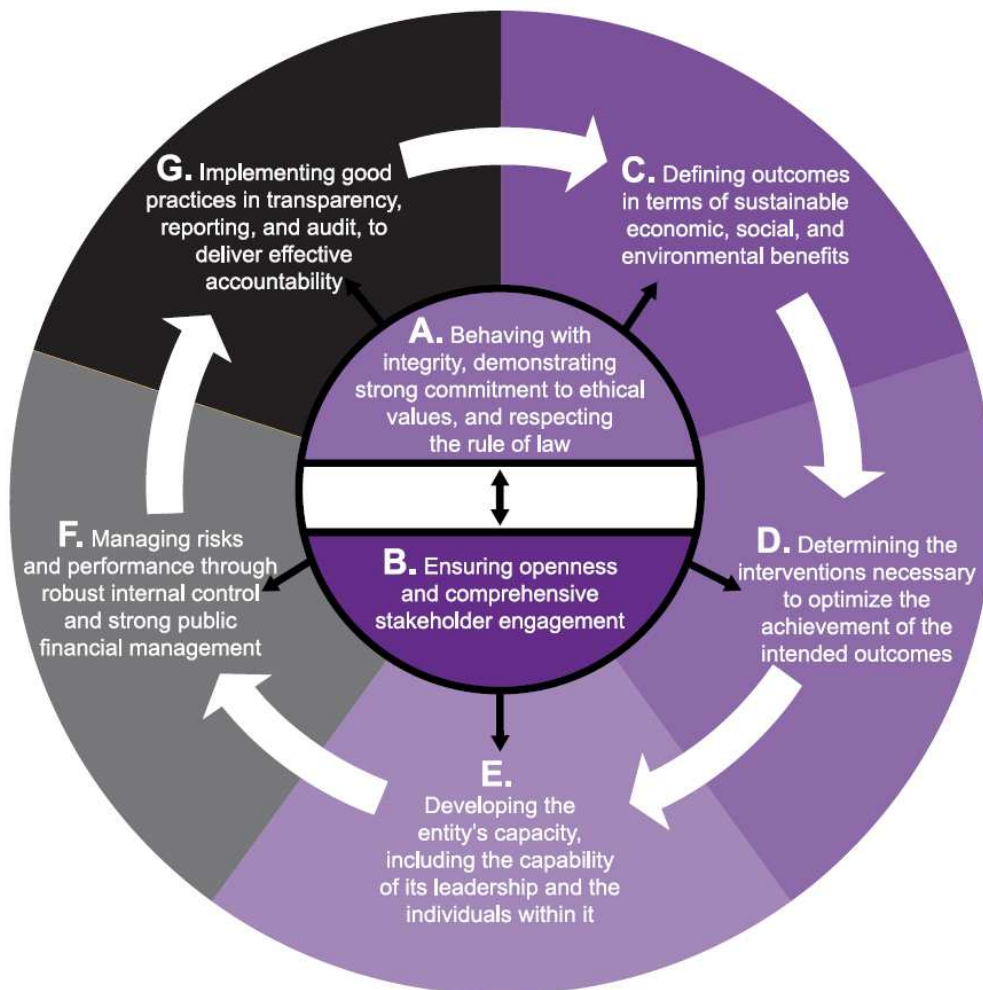
The annual budget consultation was held across a number of channels including face to face and digitally with our residents on the priorities for spending going forwards.

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

During the year we also carried out a public consultation to update our customer service standards. A good level of response was received, and we will be working in 2017/18 to implement and embed the new standards. This will include a programme on communication externally (to the public), and internally (to staff) to ensure that we put the standards into practice.

## Looking ahead

In 2017 the council will adopt a new CIPFA and Solace code. The new code has seven principles, effective governance will be judged against these principles when we review our performance for 2017-18, and in light of this the action plan identifies actions for these principles as well.





## Internal Audit Opinion

The Head of Internal Audit will present the annual report and opinion to Audit, Governance and Standards Committee on 26 June 2017. The specific extract of that report that includes the opinion reads:

*I am satisfied that during the year ended 31 March 2017 the Council managed a system of internal control that offers sound assurance on control effectiveness.*

*I am satisfied that Council's corporate governance arrangements for the year ended 31 March 2017 comply in all material respects with guidance on proper practices [CIPFA/SOLACE 2016 guidance].*

*I am satisfied the risk management arrangements at the Council for the year ended 31 March 2017 are effective and provide sound assurance.*

In addition, the report notes consistent findings from the areas offering only weak assurance on a need for the Council to improve consistency in its contract management. This is included as one of the governance actions below.

### **Governance actions 2016-17 - Update**

<b>Governance Issue</b>	<b>Action Taken</b>
Training and Communication on Information Management	<ul style="list-style-type: none"><li>- New e-learning module has been developed and all staff have been asked to complete the module by the end of August</li><li>- Briefings at manager's forum and staff forum</li><li>- Action Plan in implementation</li></ul>
Involvement in decision making and informing residents about our services	<ul style="list-style-type: none"><li>- New communication and engagement strategy introduced</li><li>- Budget roadshows held as well as on-line survey</li><li>- Consultations run on key decisions</li><li>- Member Sounding Board in place for communications</li><li>- Web casting issues resolved</li></ul>
Establishing Risk Appetite	<ul style="list-style-type: none"><li>- Risk register has been reviewed and risks included in service planning</li><li>- Risk appetite set with leadership team next steps to inform and engage officer and members</li></ul>
Audit Reviews with Weak Assurance	<ul style="list-style-type: none"><li>- Safeguarding</li><li>- Business Continuity</li><li>- Mote Park and Cobtree Café</li></ul> <p>During 2016-17 these were re-assessed as sound.</p>

## **Governance Actions for 2017-18**

<b>Governance Issue</b>	<b>Lead officer</b>	<b>Delivered by</b>
Engaging with local people: -Implementing new Customer Service Standards -Refresh of the Communication and Engagement Strategy	Head of Policy, Communications and Governance	October 2017
Member and Officer Relationships -Externally led away day -Member Bulletin	Chief Executive and Leadership Team	March 2018
Risk Management -setting the risk appetite -improving report writing in relation to risk	Director of Finance and Business Improvement	March 2018
Decision Making - Improving report writing - Officers trained to deliver accurate procedural advice in meetings	Head of Policy and Communications	March 2018
Information Management - Ensure the council is compliant with the new General Data Protection Regulations (GDPR)	Director of Finance and Business Improvement	March 2018
Contract Management - Improving consistency and effectiveness of contract management across the council	Director of Finance and Business Improvement	March 2018
Audit Reviews with weak assurance  Hazlitt Theatre  Health & Safety Park and Ride  Performance Management	Director of Regeneration & Place Mid Kent Services Director Director of Regeneration & Place Director of Finance & Business Improvement	March 2018

## Conclusion

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

A number of governance issues have been identified to be addressed in 2017-18 to ensure we continue to improve and meet the requirements of the new corporate code for 2017. These include actions to improve contract management, implementing recommendations for weak audit reviews covering Health and Safety, Park and Ride, Performance Management and the Hazlitt Theatre

The actions we propose to take are set out in the table above.

Signed

Chief Executive:

Date:

Leader of the Council:

Date:

**Maidstone Borough Council**

**Local Code of Corporate Governance**

**Updated June 2017**

## **Introduction**

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

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

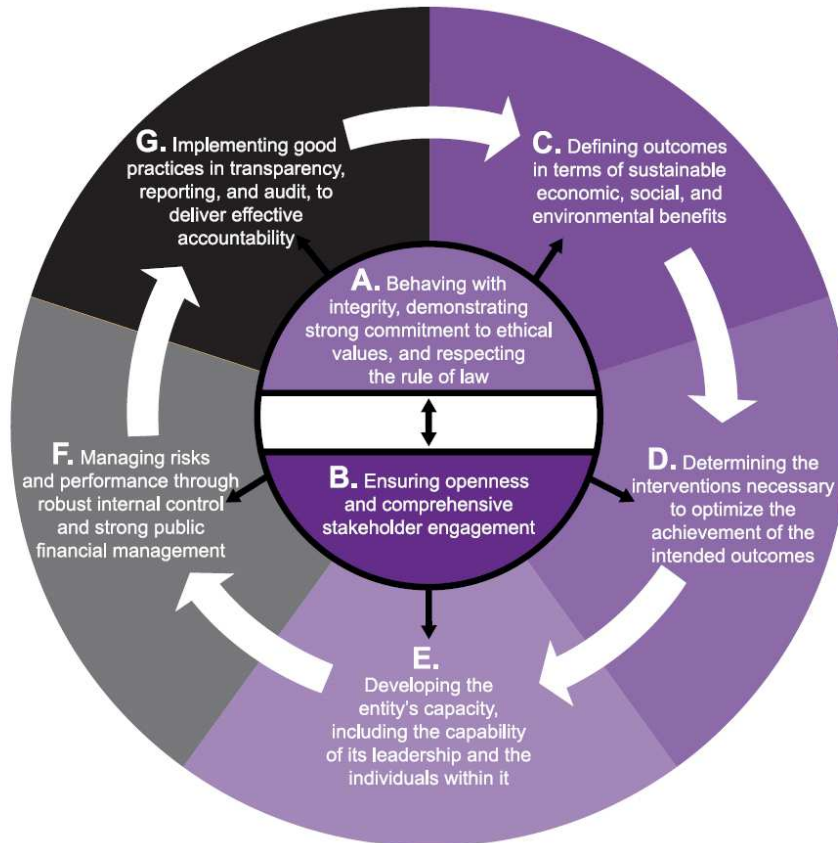
Our Local Code sets out the framework within which we conduct our business and affairs and the governance structure we have in place. Whilst this code sets out principles, processes and policies, it is the application of the framework that will demonstrate good governance.

## **Purpose of the Local Code of Corporate Governance**

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. This code sets out how we meet these requirements, how we conduct our business and affairs

## The Seven Principles

In order to achieve good governance we need to demonstrate that our governance structures comply with the principles contained within the Delivering Good Governance in local Government Framework 2016.



## **Actions and behaviours taken by the Council that demonstrate good governance**

### **Principle A - Behaving with integrity, demonstrating strong commitment to ethical values, and respecting the rule of law**

<b>Sub Principle</b>	<b>Actions and behaviours</b>	<b>Evidence</b>
Behaving with Integrity	<ul style="list-style-type: none"> <li>• We will ensure that councillors and officers behave with integrity and lead a culture where acting in the public interest is visibly and consistently demonstrated thereby protecting the reputation of the organisation</li> <li>• We will ensure that councillors take the lead in establishing values for the organisation and its staff and that they are communicated and understood. Building on the Seven Principles of Public Life (the Nolan Principles)</li> <li>• We will Lead by example and using the above values as a framework for decision making and other actions</li> <li>• We will demonstrate, communicate and embed the values through appropriate policies and processes which are reviewed on a regular basis to ensure that they are operating effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Councillor Code of Conduct</li> <li>• Officer Code of Conduct</li> <li>• Anti-Fraud and Corruption Policy &amp; Strategy</li> <li>• Equalities Policy</li> <li>• Whistle-blowing charter</li> <li>• Corporate Values (Service, Teamwork, Responsibility, Integrity, Value and Equality)</li> <li>• Investors in People Assessment</li> <li>• Appraisals</li> <li>• Democracy Committee</li> <li>• Audit Governance and Standards Committee</li> <li>• Staff Handbook</li> </ul>
Demonstrating strong commitment to ethical values	<ul style="list-style-type: none"> <li>• We will seek to establish, monitor and maintain the organisation's ethical standards and performance</li> <li>• We will underpin personal behaviour with ethical values and ensuring they permeate all aspects of the organisation's culture and operation</li> <li>• We will develop and maintain robust policies and procedures which place emphasis on agreed ethical values</li> <li>• We will ensure that external providers of services on behalf of the organisation are required to act with integrity and in compliance with ethical standards expected by the organisation</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Human Resources Policies</li> <li>• Staff Handbook</li> <li>• Induction Process</li> <li>• Register of Interests</li> <li>• Register of gifts and hospitality</li> </ul>

Sub Principle	Actions and behaviours	Evidence
Respecting the rule of law	<ul style="list-style-type: none"> <li>• We will ensure councillors and staff demonstrate a strong commitment to the rule of the law as well as adhering to relevant laws and regulations</li> <li>• We will create the conditions to ensure that the statutory officers, other key post holders, and members, are able to fulfil their responsibilities in accordance with legislative and regulatory requirements</li> <li>• We will strive to optimise the use of the full powers available for the benefit of residents, communities and other stakeholders</li> <li>• We will deal with breaches of legal and regulatory provisions effectively</li> <li>• We will ensure corruption and misuse of power are dealt with effectively</li> </ul>	<ul style="list-style-type: none"> <li>• Monitoring Officer Role</li> <li>• Internal Audit</li> <li>• External Auditors</li> <li>• Complaints process including referral to the Local Government Ombudsman</li> <li>• Audit, Governance and Standards Committee</li> <li>• Appraisals</li> <li>• Code of Conduct for Councillors and Officers</li> </ul>



## Principle B - Ensuring openness and comprehensive stakeholder engagement

Sub Principle	Actions	Evidence
Openness	<ul style="list-style-type: none"> <li>• We will ensure an open culture through demonstrating, documenting and communicating the organisation's commitment to openness.</li> <li>• We will make decisions that are open about actions, plans, resource use, forecasts, outputs and outcomes.</li> <li>• We will provide clear reasoning and evidence for decisions in both public records and explanations to stakeholders and being explicit about the criteria, rationale and considerations used. In due course, ensuring that the impact and consequences of those decisions are clear.</li> <li>• We will use formal and informal consultation and engagement to determine the most appropriate and effective interventions/courses of action.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Communication and Engagement Strategy</li> <li>• Committee work programmes</li> <li>• Council Website</li> <li>• Formal consultation processes</li> <li>• Community and voluntary sector representation on</li> <li>• Partnership Boards</li> <li>• Freedom of Information publication scheme</li> <li>• Report Templates</li> </ul>
Engaging comprehensively with institutional stakeholders	<ul style="list-style-type: none"> <li>• We will effectively engage with institutional stakeholders to ensure that the purpose, objectives and intended outcomes for each stakeholder relationship are clear so that outcomes are achieved successfully and</li> <li>• We will develop formal and informal partnerships to allow for resources to be used more efficiently and outcomes achieved more effectively</li> <li>• We will define the purpose, objectives and intended outcomes for each stakeholder relationship</li> <li>• We will use formal and informal consultation and engagement to determine the most appropriate and effective interventions</li> </ul>	<ul style="list-style-type: none"> <li>• Safer Maidstone Partnership and Strategy</li> <li>• Health and Wellbeing Board</li> <li>• Community Safety Unit</li> <li>• Consultation processes</li> <li>• Council Website</li> </ul>
Engaging stakeholders effectively, including individual citizens and	<ul style="list-style-type: none"> <li>• We will establish a clear policy on the type of issues that the organisation will meaningfully consult with or involve individual citizens, service users and other stakeholders to ensure that service (or other) provision is contributing towards the achievement of intended outcomes.</li> <li>• We will ensure that communication methods are effective and members and officers are clear about their roles with regard to community engagement.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan published on website</li> <li>• External Auditor provides an annual</li> <li>• organisational assessment of the Council's performance through</li> </ul>

Sub Principle	Actions	Evidence
service users	<ul style="list-style-type: none"> <li>• We will encourage, collect and evaluate the views and experiences of communities, residents, businesses service users and organisations of different backgrounds including reference to future needs.</li> <li>• We will implement effective feedback mechanism in order to demonstrate how their views have been taken into account.</li> <li>• We will balance feedback from more active stakeholder groups with other stakeholder groups to ensure inclusivity</li> <li>• We will take into account of the interests of future generations of tax payers and service users.</li> </ul>	<p>the Value for Money conclusion</p> <ul style="list-style-type: none"> <li>• Council Website</li> <li>• Council minutes and agendas available on website</li> <li>• Formal consultation arrangements</li> <li>• Community and voluntary sector representation on Partnership Boards</li> <li>• Satisfaction Surveys</li> <li>• Freedom of Information publication scheme</li> </ul>

## Principle C - Defining outcomes in terms of sustainable economic, social, and environmental benefits.

Sub Principle	Actions	Evidence
Defining Outcomes	<ul style="list-style-type: none"> <li>We have a clear vision which is an agreed formal statement of the organisation's purpose and intended outcomes containing appropriate performance indicators, which provides the basis for the organisation's overall strategy, planning and other decisions.</li> <li>We will specify the intended impact on, or changes for, stakeholders including residents, businesses and service users.</li> <li>We will deliver defined outcomes on a sustainable basis within the resources that will be available.</li> <li>We will identify and managing risks to the achievement of outcomes.</li> <li>We will manage service users' expectations effectively with regard to determining priorities and making the best use of the resources available</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Plan</li> <li>Committee work programmes</li> <li>Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>Community Safety Unit</li> <li>Housing Strategy</li> <li>Temporary Accommodation Strategy</li> <li>Risk Management Framework &amp; Guide</li> <li>Regular consideration of risk by Audit, Governance and Standards Committee</li> <li>Corporate report template contains 'risk implications'</li> </ul>
Sustainable economic, social and environmental benefits	<ul style="list-style-type: none"> <li>We will consider and balancing the combined economic, social and environmental impact of policies, plans and decisions when taking decisions about service provision.</li> <li>We will take a longer-term view with regard to decision making, taking account of risk and acting transparently where there are potential conflicts between the organisation's intended outcomes and short-term factors such as the political cycle or financial constraints.</li> <li>We will determine the wider public interest associated with balancing conflicting interests between achieving the various economic, social and environmental benefits, through consultation where possible, in order to ensure appropriate trade-offs.</li> <li>We will ensure equality of access.</li> </ul>	<ul style="list-style-type: none"> <li>Strategic Plan</li> <li>Committee work programmes</li> <li>Formal consultation arrangements</li> <li>Economic Development Strategy</li> <li>Medium Term Financial Strategy</li> <li>Safer Maidstone Strategy</li> <li>Local Plan</li> <li>Waste and Recycling Strategy</li> <li>Health and Wellbeing Action Plan</li> <li>Equality Policy</li> </ul>

## Principle D – Determining the interventions necessary to optimise the achievement of the intended outcomes

Sub Principle	Actions	Evidence
Determining interventions	<ul style="list-style-type: none"> <li>• We will ensure decision makers receive objective and rigorous analysis of a variety of options indicating how intended outcomes would be achieved and including the risks associated with those options.</li> <li>• We will ensure best value is achieved however services are provided.</li> <li>• We will consider feedback from citizens and service users when making decisions about service improvements or where services are no longer required in order to prioritise competing demands within limited resources available including people, skills, land and assets and bearing in mind future impacts.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>• Options appraisal included in all committee reports for decision</li> <li>• Financial, legal and technical advice provided by the s151 Officer, the Monitoring Officer and other officers as required</li> <li>• Council Website</li> <li>• Consultation processes</li> </ul>
Planning interventions	<ul style="list-style-type: none"> <li>• We establish and implementing robust planning and control cycles that cover strategic and operational plans, priorities and targets.</li> <li>• We engage with internal and external stakeholders in determining how services and other courses of action should be planned and delivered.</li> <li>• We consider and monitor risks facing each partner when working collaboratively including shared risks.</li> <li>• We ensure arrangements are flexible and agile so that the mechanisms for delivering outputs can be adapted to changing circumstances.</li> <li>• We establish appropriate key performance indicators (KPIs) as part of the planning process in order to identify how the performance of services and projects is to be measured.</li> <li>• We ensure capacity exists to generate the information required to review service quality regularly.</li> <li>• We prepare budgets in accordance with organisational</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Planning Timetable</li> <li>• Strategic Plan</li> <li>• Service Plans</li> <li>• Quarterly Monitoring Reports</li> <li>• Contract Monitoring Arrangements</li> <li>• Performance Reports aligned to Corporate Plan priorities</li> <li>• Medium Term Financial Strategy</li> <li>• Capital Programme</li> <li>• Value for Money judgement by External Auditor</li> </ul>

Sub Principle	Actions	Evidence
	<p>objectives, strategies and the medium term financial plan.</p> <ul style="list-style-type: none"> <li>• We inform medium and long term resource planning by drawing up realistic estimates of revenue and capital expenditure aimed at developing a sustainable funding strategy.</li> </ul>	
Optimising achievement of intended outcomes	<ul style="list-style-type: none"> <li>• We ensure the medium term financial strategy integrates and balances service priorities, affordability and other resource constraints.</li> <li>• We ensure the budgeting process is all-inclusive, taking into account the full cost of operations over the medium and longer term.</li> <li>• We ensure the medium term financial strategy sets the context for ongoing decisions on significant delivery issues or responses to changes in the external environment that may arise during the budgetary period in order for outcomes to be achieved while optimising resource usage.</li> <li>• We ensure the achievement of 'social value' through service planning and commissioning.</li> </ul>	<ul style="list-style-type: none"> <li>• Medium Term Financial Strategy</li> <li>• Revenue budget process</li> <li>• Capital Programme</li> <li>• Procurement Policy</li> <li>• Procurement Standing Orders</li> <li>• Action Plans developed in response to external audit and inspections</li> <li>• Value for Money judgement by external auditor</li> </ul>

**Principle E - Developing the entity's capacity, including the capability of its leadership and the individuals within it.**

Sub Principle	Actions	Evidence
Developing the entity's capacity	<ul style="list-style-type: none"> <li>• We review operations and performance on a regular basis to ensure their continuing effectiveness and enable organisational learning.</li> <li>• We improve resource use through appropriate application of techniques such as benchmarking and other options in order to determine how the authority's resources are allocated so that outcomes are achieved effectively and efficiently.</li> <li>• We recognise the benefits of partnerships and collaborative working where added value can be achieved.</li> </ul>	<ul style="list-style-type: none"> <li>• Corporate Planning Timetable</li> <li>• Budget Setting Process</li> <li>• Service Plans</li> <li>• Appraisals</li> <li>• Developing Everybody Competency Framework</li> <li>• Mid Kent Services Partnership</li> </ul>
Developing the capability of the entity's leadership and other individuals	<ul style="list-style-type: none"> <li>• We clarify roles and responsibilities of members and management at all levels.</li> <li>• We develop protocols to ensure that elected and appointed leaders negotiate with each other regarding their respective roles early on in the relationship and that a shared understanding of roles and objectives is maintained.</li> <li>• We publish a statement that specifies the types of decisions that are delegated and those reserved for the collective decision making of the governing body.</li> <li>• We ensure the leader and the chief executive have clearly defined and distinctive leadership roles.</li> <li>• We develop the capabilities of members and senior management to achieve effective shared leadership and to enable the organisation to respond successfully to changing legal and policy demands as well as economic, political and environmental changes and risks.</li> <li>• We ensure that there are structures in place to encourage public participation.</li> <li>• We hold staff to account through regular performance reviews which take account of training or development</li> </ul>	<ul style="list-style-type: none"> <li>• Job descriptions and person specifications produced for all posts</li> <li>• Recruitment and appointment policies and procedures</li> <li>• Members' Sounding Board</li> <li>• Democracy Committee</li> <li>• Comprehensive learning and development programme for officers and councillors</li> <li>• Corporate Workforce Strategy</li> <li>• Staff surveys</li> <li>• HR Policies and Guidance on intranet</li> <li>• Member and Staff induction</li> </ul>

Sub Principle	Actions	Evidence
	<p>needs.</p> <ul style="list-style-type: none"> <li>• We ensure arrangements are in place to maintain the health and wellbeing of the workforce and support individuals in maintaining their own physical and mental wellbeing.</li> </ul>	

## Principle F - Managing risks and performance through robust internal control and strong public financial management

Sub Principle	Actions	Evidence
Managing Risk	<ul style="list-style-type: none"> <li>• We recognise that risk management is an integral part of all activities and must be considered in all aspects of decision making.</li> <li>• We implement robust and integrated risk management arrangements and ensuring that they are working effectively.</li> <li>• We ensure that responsibilities for managing individual risks are clearly allocated.</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Framework &amp; Guide in place and reviewed annually</li> <li>• Strategic Risk Register in place and reviewed by Leadership team</li> <li>• Directorate and Service level risk registers in place and reviewed monthly</li> <li>• Corporate report template contains 'risk implications'</li> <li>• Audit Governance and Standards Committee reviews risks regularly</li> </ul>



Sub Principle	Actions	Evidence
Managing Performance	<ul style="list-style-type: none"> <li>• We monitor service delivery effectively including planning, specification, execution and independent post implementation review.</li> <li>• We make decisions based on relevant, clear objective analysis and advice pointing out the implications and risks inherent in the organisation's financial, social and environmental position and outlook</li> <li>• We ensure an effective scrutiny or oversight function is in place which encourages constructive challenge and debate on policies and objectives before, during and after decisions are made thereby enhancing the organisation's performance and that of any organisation for which it is responsible</li> <li>• We provide members and senior management with regular reports on service delivery plans and on progress towards outcome achievement</li> <li>• We ensure there is consistency between specification stages (such as budgets) and post implementation reporting (e.g. financial statements)</li> </ul>	<ul style="list-style-type: none"> <li>• Performance Reports aligned to Strategic Plan priorities</li> <li>• Quarterly Monitoring Reports</li> <li>• Contract Monitoring Reports</li> <li>• Corporate report template requires information explaining the legal and financial implications of decisions</li> <li>• Corporate report template contains risk implications</li> <li>• Monthly spend/budget reports sent to all budget holders</li> </ul>
Robust Internal Control	<ul style="list-style-type: none"> <li>• We align the risk management strategy and policies on internal control with achieving the objectives.</li> <li>• We evaluate and monitoring the authority's risk management and internal control on a regular basis.</li> <li>• We ensure effective counter fraud and anticorruption arrangements are in place.</li> <li>• Ensuring additional assurance on the overall adequacy and effectiveness of the framework of governance, risk management and control is provided by the internal auditor.</li> <li>• We ensure an audit committee or equivalent group or function which is independent of the executive provides further assurance regarding arrangements for managing risk and maintaining an effective control environment</li> </ul>	<ul style="list-style-type: none"> <li>• Risk Management Policy &amp; Guide in place and reviewed annually</li> <li>• Strategic Risk Register in place and reviewed by Leadership team</li> <li>• Corporate and Service level risk registers in place</li> <li>• Anti-Fraud and Corruption Policy</li> <li>• Audit, Governance and Standards Committee reviews risks and the Risk Management process quarterly</li> <li>• Corporate Information Management and Governance Groups</li> </ul>

Sub Principle	Actions	Evidence
Managing Data	<ul style="list-style-type: none"> <li>• We ensure effective arrangements are in place for the safe collection, storage, use and sharing of data, including processes to safeguard personal data.</li> <li>• We review and auditing regularly the quality and accuracy of data used in decision making and performance monitoring.</li> <li>• We ensure effective arrangements for sharing data with other bodies are in place</li> </ul>	<ul style="list-style-type: none"> <li>• Communication and Engagement Strategy</li> <li>• Information Management Group and action plan</li> <li>• Freedom of Information publication scheme</li> <li>• Ongoing monitoring of Data Protection Act / Freedom of Information compliance</li> </ul>
Strong public financial management	<ul style="list-style-type: none"> <li>• We ensure financial management supports both long term achievement of outcomes and short term financial and operational performance.</li> <li>• We ensure well-developed financial management is integrated at all levels of planning and control, including management of financial risks and controls.</li> </ul>	<ul style="list-style-type: none"> <li>• Strategic Plan</li> <li>• Medium Term Financial Strategy</li> <li>• Budget setting process</li> <li>• Procurement Policy</li> <li>• Procurement Standing Orders</li> <li>• Value for Money judgement from the External Auditor</li> <li>• External Auditors' Annual Audit letter</li> </ul>

## Principle G – Implementing good practices in transparency, reporting, and audit to deliver effective accountability

Sub Principle	Actions	Evidence
Implementing good practice in transparency	<ul style="list-style-type: none"> <li>• Write and communicate reports for the public and other stakeholders in an understandable style appropriate to the intended audience and ensuring that they are easy to access and interrogate.</li> <li>• Strike a balance between providing the right amount of information to satisfy transparency demands and enhance public scrutiny while not being too onerous to provide and for users to understand.</li> </ul>	<ul style="list-style-type: none"> <li>• Council website</li> <li>• Communication and Engagement Strategy</li> <li>• Budgets and spending published on website</li> <li>• Senior Officer remuneration published on website</li> </ul>
Implementing good practices in reporting	<ul style="list-style-type: none"> <li>• We report at least annually on performance, value for money and the stewardship of its resources.</li> <li>• We ensure members and senior management own the results.</li> <li>• We assess the extent to which the principles contained in the Framework have been applied and publishing the results on this assessment including an action plan for improvement and evidence to demonstrate good governance in action</li> <li>• We ensure that the Framework is applied to jointly managed or shared service organisations as appropriate.</li> <li>• We ensure the performance information that accompanies the financial statements is prepared on a consistent and timely basis and the statements allow for comparison with other similar entities.</li> </ul>	<ul style="list-style-type: none"> <li>• Publication of Annual Report and Statement of Accounts on website</li> <li>• Annual Governance Statement produced and published on website</li> <li>• Local Code of Corporate Governance refreshed annually in accordance with CIPFA/SOLACE principles</li> <li>• Documents are scrutinised and approved by Leadership Team, Service Committees and Audit Committee prior to publication</li> <li>• Performance information and reports are published on the website and reported to Committees</li> </ul>

<p>Assurance and effective accountability</p>	<ul style="list-style-type: none"> <li>• We ensure that recommendations for corrective action made by external audit are acted upon.</li> <li>• We ensure an effective internal audit service with direct access to members is in place which provides assurance with regard to governance arrangements and recommendations are acted upon.</li> <li>• We welcome peer challenge, reviews and inspections from regulatory bodies and implementing recommendations.</li> <li>• We gain assurance on risks associated with delivering services through third parties and that this is evidenced in the Annual Governance Statement.</li> <li>• We ensure that when working in partnership, arrangements for accountability are clear and that the need for wider public accountability has been recognised and met.</li> </ul>	<ul style="list-style-type: none"> <li>• The external auditors produce an Annual Audit Letter which is presented at Audit Committee and published on the website. The council produces a response to all issues and recommendations contained within.</li> <li>• The Head of Audit Partnership presents an annual report to Audit, Governance, Standards Committee to inform members of Internal Audit activity that has taken place during the year</li> <li>• Annual Governance Statement produced and published on website</li> </ul>
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## Audit, Governance & Standards Committee

**26 June 2017**

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

**Yes**

## Annual Internal Audit Report & Opinion 2016/17

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Rich Clarke – Head of Audit Partnership
<b>Lead Officer and Report Author</b>	Rich Clarke – Head of Audit Partnership
<b>Classification</b>	Public
<b>Wards affected</b>	All

### This report makes the following recommendations to this Committee:

1. The Committee **notes** the Head of Audit Partnership opinion. The opinion states that, in the view of internal audit, the Council's system of internal control, corporate governance and risk management arrangements have operated effectively during 2016/17.
2. The Committee **notes** the work underlying the opinion and the Head of Audit's assurance it was completed with sufficient independence and conformance with Public Sector Internal Audit Standards.

### This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

This report supports the effective control and governance of the Council and so relates to the achievement of both corporate priorities.

### Timetable

<b>Meeting</b>	<b>Date</b>
Committee (Audit, Governance & Standards)	26 June 2017

# Annual Internal Audit Report & Opinion 2016/17

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report meets the Head of Internal Audit annual reporting requirements mandated by the Public Sector Internal Audit Standards (PSIAS). The report includes 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 can be used to inform the Annual Governance Statement for 2016/17.
- 1.2 PSIAS, in particular Standard 2450: Overall Opinions, direct that the annual report must incorporate:
- The annual internal audit opinion (see paragraphs 6 to 15 of the appendix),
  - A summary of the work completed that supports the opinion (paragraphs 16 to 113 of the appendix), and
  - A statement on conformance with PSIAS (paragraphs 120 to 123 of the appendix).

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## 2. INTRODUCTION AND BACKGROUND

- 2.1 Internal audit is a required service under Regulation 5 of the Accounts and Audit Regulations 2015. The principle objective of internal audit, under that Regulation is to:
- ... undertake [audit work] to evaluate the effectiveness of [...] risk management, control and governance processes, taking in account public sector internal auditing standards and guidance.*
- 2.1 As those charged with overseeing Governance, the Terms of Reference for this Audit Committee require it to:
- ...consider summaries of internal audit reports produced and review management action taken on associated recommendations. To consider and comment upon any items relevant to the internal audit function.*
- 2.3 The overall scope of the Council's audit service – which is delivered as part of a four way partnership with Swale, Ashford and Tunbridge Wells – is set out in the Audit Charter and Annual Plan. The Charter and Plan for 2015/16 were agreed by this Committee in March 2016. This Committee also received an interim update on progress to date in November 2016.

- 2.2 We have completed the work set out in the plan, subject to modifications as described in accordance with PSIAS. Where there is work outstanding at the time of writing, it is sufficiently progressed 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 verbally at the meeting (if available) and/or included within the first interim update of 2017/18.
- 

### **3. AVAILABLE OPTIONS**

- 3.1 The Head of Audit Partnership is satisfied the Council can place assurance on the system of control in operation during 2016/17. Furthermore he is satisfied that the corporate governance framework complies in all significant respects with the best practice guidance issued by CIPFA/SOLACE. Finally, he is satisfied that the Council's risk management processes are effective. We ask the Audit, Governance & Standards Committee to note these opinions
- 3.2 Please see the appendix for the full Annual Report for 2016/17 which includes a summary of all work conducted to support the opinion and confirms the independence and effectiveness of the internal audit service.
- 

### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 The role of the Audit, Governance & Standards Committee includes considering the Annual Report of internal audit as a required part of its purpose. We recommend no alternative course of action.
- 

### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 All findings and recommendations identified within reviews are consulted on with the appropriate Head of Service and action plans are agreed with management to implement recommendations. The headline messages within the report are as discussed with the s151 Officer across the year, and have been communicated to the Head of Policy, Communications & Governance to assist with preparation of the Council's Annual Governance Statement. The attached report is adapted for comments received.
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### **6. CROSS-CUTTING ISSUES AND IMPLICATIONS**

This report is provided for information rather than decision and consequently raises no new issues or implications. Consequently, the cross cutting issues table is deleted.

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## **7. REPORT APPENDICES**

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

- Appendix I: Annual Internal Audit Report & Opinion 2016/17 for Maidstone Borough Council

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## **8. BACKGROUND PAPERS**

Full reports which inform the audit projects summarised within this annual report are available on request.



<b>Audit, Governance &amp; Standards</b>	<b>26 June 2017</b>
Is the final decision on the recommendations in this report to be made at this meeting?	<b>Yes</b>

## Audit, Governance & Standards Committee – Annual Report 2016/17

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Rich Clarke – Head of Audit Partnership
<b>Lead Officer and Report Author</b>	Alison Blake – Audit Manager
<b>Classification</b>	Public
<b>Wards affected</b>	N/A

<p><b>This report makes the following recommendations to this Committee:</b></p> <ol style="list-style-type: none"> <li>1. That the Committee <b>agree</b> the Audit, Governance &amp; Standards Committee Annual Report for 2016/17.</li> <li>2. That the Chairman of the Audit, Governance &amp; Standards Committee provides the report to a meeting of the full Council to demonstrate how the Committee has discharged its duties.</li> <li>3. That the Committee, subject to any comment or amendment, <b>agrees</b> the briefing session timetable proposed in Appendix A.</li> </ol>
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<p><b>This report relates to the following corporate priorities:</b></p> <ul style="list-style-type: none"> <li>• Keeping Maidstone Borough an attractive place for all</li> <li>• Securing a successful economy for Maidstone Borough</li> </ul> <p>The Audit, Governance &amp; 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.</p>
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<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	26 June 2017

### **1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY**

- 1.1 The report outlines how the Audit, Governance & Standards Committee has effectively discharged its duties during 2016/17. The report provides assurance to the Council that important internal control, governance and risk management issues are being monitored and addressed by the Committee. The report seeks to provide additional assurance to support the Annual Governance Statement.
  - 1.2 This report also proposes the timetable of Member briefings that will, over the course of the next year, complement the Committee as it seeks to fulfil its responsibilities through 2017/18.
- 

### **2. INTRODUCTION AND BACKGROUND**

- 2.1 The Audit, Governance & Standards Committee is 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 has been achieved during 2016/17.
  - 2.2 This is the second year that the Committee is reporting its activity as the Audit, Governance & Standards Committee, since updating its Terms of Reference in 2014/15.
  - 2.3 In September 2015 the Committee agreed a programme of development briefings designed to complement and provide insight into the types of issues the Committee would be considering over the course of the year. Throughout 2016/17 a number of briefings were provided, as outlined in Appendix A. This report proposes briefings for 2017/18 and includes a suggested timetable for the Committee to agree.
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### **3. AVAILABLE OPTIONS**

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

- 3.2 The Committee has previously requested and agreed to receive regular updates and briefings on pertinent issues relevant to the Committee's terms of reference. This report provides an updated programme and therefore proposes no alternative option.

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#### **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

- 4.1 This report provides the Council with assurance that important governance, risk and standards issues are monitored and addressed.
- 4.2 Our recommendation is for the Committee to agree the Audit, Governance & Standards Committee Annual Report, subject to any comments and amendments as attached in Appendix A. In accordance with the Terms of Reference, that the Chairman of the Audit, Governance & Standards Committee then provides the report to a meeting of full Council setting out how the committee has discharged its duties.
- 4.3 The Audit, Governance and Standards Committee has previously requested and agreed a programme of updates and this report continues to support this request.

#### **5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 5.1 We provided this report to the Chairman of the Audit, Governance & Standards Committee for consultation prior to submission for this meeting.

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#### **6. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 6.1 The report will be presented to Full Council in accordance with this Committee's Terms of Reference.

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#### **7. CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The report supports the good governance, internal control and risk management of Maidstone Borough Council and so contributes broadly to achievement of its corporate priorities.	Alison Blake  Audit Manager
<b>Risk Management</b>	The report introduces no risks that require separate description in the Council's risk registers, nor materially impacts any currently described.	

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Financial</b>	There are no additional costs or savings associated with this proposal.	
<b>Staffing</b>	There are no staffing implications associated with this proposal.	
<b>Legal</b>	There are no legal or statutory implications with this proposal.	
<b>Equality Impact Needs Assessment</b>	This report does not describe circumstances which require an Equality Impact Needs Assessment.	
<b>Environmental/ Sustainable Development</b>	There are no environmental or sustainable development implications for this report.	
<b>Community Safety</b>	There are no community safety implications for this report.	
<b>Human Rights Act</b>	There are no implications for the Council's responsibilities under the Human Rights Act in this report.	
<b>Procurement</b>	There are no procurement implications for this report.	
<b>Asset Management</b>	There are no asset management implications for this report.	

## **8. REPORT APPENDICES**

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

- Appendix A: Audit, Governance & Standards Annual Report 2016/17

## **9. BACKGROUND PAPERS**

None



# **Audit, Governance & Standards Committee**

## **Annual Report 2016/17**



## **Introduction by Chairman of Audit, Governance and Standards Committee**

*This report provides an overview of the Audit, Governance and Standards Committee's activity during the municipal year 2016/17.*

*I am pleased to report the continued good work of the Committee in providing an independent overview of the Council's governance. This role includes detailed consideration of the work of external and internal audit plus robust scrutiny and challenge of the Council's financial performance and, through our Ethical Standards role, the approach the Council takes in investigating complaints made about Members.*

*During 2016/17 the Committee met five times and was pleased to note, among the highlights, a further unqualified accounts and value for money opinion from our external auditors and a positive conclusion on the Council's control and governance from our internal auditors.*

*Once again during 2016/17 the Committee is grateful for the contributions of its members and parish members, as well as to those officers who support its work.*



*Councillor Steve McLoughlin  
Audit, Governance & Standards Committee Chairman (2016/17)*

## Introduction

Maidstone Borough Council has always supported and understood the value and benefits of having an independent Audit Committee. The role of the committee was expanded in 2015 when the Council established the Audit, Governance and Standards (AGS) Committee. Its functions incorporate those undertaken by the former Audit Committee as well as some of the functions previously the responsibility of the Standards Committee.

The AGS Committee is an essential check on the corporate governance framework, providing an independent and high-level overview of internal control, governance and risk management for the Council.

The Committee monitors internal and external audit activity, reviews and comments on the effectiveness of the Council's regulatory framework and reviews and approves the Council's annual statements of accounts.

The Committee is independent from the Council's executive management and Service Committee functions and has clear reporting lines and rights of access to discharge its responsibilities in line with its Terms of Reference (Appendix I). This includes direct access to the Council's Appointed Auditor and Head of Audit Partnership without the presence of other officers where appropriate.

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

## Statement of Purpose

The promotion and maintenance of high standards of Councillor and Officer conduct within the Council, adoption and reviewing the Council's Annual Governance Statement; independent assurance of the adequacy of the financial and risk management framework and the associated control environment, independent review of the authority's financial and non-financial performance to the extent that it affects the authority's exposure to risk and weakens the control environment, and to oversee the financial reporting processing.

*Maidstone Borough  
Council Constitution*

## Membership

The Audit, Governance and Standards Committee comprises of 11 members: 9 Borough Councillors and 2 Parish Councillors.

Borough Councillors	Parish Representatives
CLlr McLoughlin (Chairman) CLlr English (Vice-Chairman) CLlr Daley CLlr Fissenden CLlr Garland CLlr Perry CLlr Revell (resigned March 2017) CLlr Vizzard CLlr Adkinson	Parish CLlr Mrs Riden Parish CLlr Coulling

## Meetings & Attendance

The Audit, Governance & Standards Committee met five times in 2016/17:

- 11 July 2016
- 19 September 2016
- 21 November 2016
- 16 January 2017
- 20 March 2017

On all occasions the Committee was well attended and able to fulfil its duties.

The Audit, Governance & Standards Committee is supported by senior officers of the Council who are regularly present at meetings, including:

- Director of Finance & Business Improvement (Section 151)
- Head/Deputy Head of Audit Partnership
- Head of Policy, Communications and Governance
- Deputy Head of Legal Services

In addition, the Council's External Auditors (Grant Thornton) attended each meeting of the Audit Committee during 2016/17.

All of the Audit, Governance & Standards Committee agenda papers and minutes are available on the Council's [website](#).



## Business

During the year the Audit, Governance & Standards Committee has commented, examined and reviewed the following:

<b>Audit Activity</b>
• Internal Audit Annual Report & Opinion
• Interim Internal Audit & Assurance Report
• Internal Audit & Assurance Plan
• Whistleblowing Policy
<b>External Audit (Grant Thornton)</b>
• Fee Letter
• External Audit Update
• Annual Audit Letter
• Housing Benefit Grant Claim Certification
• Audit Plan
• External Audit Procurement
<b>Finance</b>
• Statement of Accounts
• Treasury Management Annual Review
• Treasury Management Half Yearly review
• Treasury Management Strategy
• Budget Strategy Risk Assessment
<b>Governance</b>
• Complaints received under the Members' Code of Conduct
• Annual Governance Statement & Local Code of Corporate Governance Review
• Annual Governance Statement Action Plan
• Audit, Governance & Standards Committee Annual Report
• Work Programme

The work of the Committee during 2016/17 has resulted in recommendations which have enhanced the operation of the Committee and wider Council functions. In particular:

- Discussion around the Annual Governance Statement ahead of its approval at Policy & Resources Committee
- Amendments to the Whistleblowing Policy and endorsement of raising its profile
- Requests for assurances over the adequacy of the Councils contract monitoring arrangements
- Regular budget strategy risk updates reviewed and commented on by Members

The business outlined above has been fulfilled in accordance with the Committees agreed Terms of Reference (detailed in Appendix I). Furthermore the Committee has, where applicable to 2016/17, undertaken the functions outlined within the Terms.

## Sources of Assurance

In drawing a conclusion for the year, the Audit, Governance and Standards Committee gained assurance from the following sources:

### ***The work of Internal Audit (Mid Kent Audit)***

The Head of Audit Partnership issued an unqualified Head of Audit Opinion for 2015/16 which concluded that the Council was operating an effective sound system of internal control, governance and risk management. Throughout the year the Committee has been kept up to date with delivery of the Internal Audit plan and implementation of audit recommendations.

The Committee has been kept aware of emerging risks, and enhancements to the risk management process. They have also been provided with a briefing on the risk management process during the year.

The Internal Audit plan for 17/18 included a breakdown of internal audit assurance work for the coming year, and the Committee were given the opportunity to comment on the work of internal audit prior to endorsing the plan for delivery.

Adverse audit opinions and progress against the implementation of audit recommendations have been presented to the Committee. At Members' request the Committee has been provided with regular updates on the implementation of audit recommendations.

The Committee has continued to show its support to the Internal Audit team throughout the year, and has recognised the role, responsibility and authority of the service within the Audit Charter which was agreed by the Committee in March 2016.

### ***Whistleblowing***

The Council has agreed its Whistleblowing policy and has taken steps to improve the arrangements for reporting concerns.

### ***The work of External Audit (Grant Thornton)***

The external auditors report to the Audit, Governance & Standards Committee providing regular updates on their programme of work. During the year, the External Auditors presented an unqualified value for money conclusion and an unqualified opinion on the financial statements.

The Committee has provided effective challenge to the External Auditors as appropriate and gained assurance from the reports and updates provided during the year.

### ***Finance & Governance Reports***

The Committee provided robust challenge prior to approving the financial reports of the Council in September 2016.

The Committee receives updates on the Councils Treasury Management activity and have provided robust challenge and comment to the overall Strategy and performance of investments.

The Committee specifically gains assurance from the Annual Governance Statement which is a statutory document that explains the processes and procedures in place to enable the Council to carry out its functions effectively. The statement is produced following a review of the Council's governance arrangements and includes actions address any significant governance issues identified. The Committee reviewed and approved the 2015/16 Annual Governance Statement.

## Dealing with Complaints about Council Members

The Localism Act 2011 obliges Councils to have both a Code of Conduct and a procedure for dealing with allegations that a member has breached that Code of Conduct. The Act further provides that the District/Borough Council for the area is responsible for dealing with complaints against all the Parish and Town Councillors for its area as well as dealing with complaints against Borough Councillors. Full Council, at its meeting on 5 July 2012, resolved to adopt the 'Kent Procedures' for dealing with Member Complaints. The 'Kent Procedures' are so called because they were devised by the Kent Monitoring Officer Group and have been adopted by Kent County Council and most of the Kent Districts/Boroughs. The concept of proportionality runs through the procedures such that the level of resource and decision on each complaint should be proportionate to the seriousness of the complaint. This very much represents the guidance from Central Government which has stressed Councils should not adopt 'gold plated' arrangements.

Under the procedures, authority is delegated to the Monitoring Officer to make an initial assessment of the complaint (in consultation with the Independent Person appointed under the provisions of the Localism Act 2011) and, if appropriate, the Monitoring Officer will seek to resolve the complaint informally. If it is decided the complaint should be investigated, then following that investigation a Sub-Committee of the Audit, Governance and Standards Committee will determine the complaint.

The Localism Act 2011 sets out the role of the Independent Person in any procedures designed for investigating allegations that a member has breached the Code of Conduct. The Independent Person's views must be sought and taken into account prior to a decision being made following an investigation into a complaint. The Independent Person's views may also be sought at other times during the process. This Council's Independent Person, Ms Barbara Varney, was appointed by Full Council in July 2013 following an interview process.

During the year ending 31 March 2017, 12 new Member complaints were received. 9 of the complaints did not proceed because they did not satisfy either the legal jurisdiction test or the local assessment criteria set out in the Kent Procedures. The investigations for the remaining 3 complaints were ceased part way through as the members in question resigned and it was not deemed in the public interest to continue. 3 of the complaints related to Borough Councillors. The remaining 9 complaints related to parish councillors.

## Member Development

In September 2015 the Committee agreed a programme of development briefings to be conducted prior to each Committee meeting. Members continue to show desire to continually develop their knowledge and skills.

The training delivered in 2016/17 is outlined below:

Briefing theme & topics	Timing
<b>Assurance on value for money</b> <ul style="list-style-type: none"> <li>How external audit assess VfM conclusion</li> <li>Measuring value for money in local government</li> <li>Data quality and performance measurement</li> </ul>	Delivered in March 2016
<b>Internal Audit Standards</b> <ul style="list-style-type: none"> <li>How standards are set and monitored</li> <li>Specific work on IA conformance</li> </ul>	Delivered in September 2016
<b>Risk Management</b> <ul style="list-style-type: none"> <li>Risk appetite</li> <li>Specific strategic and operational risks</li> <li>Risk management strategy</li> <li>Local government risk outlook</li> </ul>	Delivered in November 2016
<b>Treasury Management</b> <ul style="list-style-type: none"> <li>Investment and borrowing options for local authorities</li> <li>Prudential Code</li> <li>Financial outlook for local authorities</li> </ul>	Delivered in January 2017
<b>Reviewing the Annual Governance Statement</b> <ul style="list-style-type: none"> <li>The AGS within the Council's governance</li> <li>Specific topics within the AGS</li> </ul>	Delivered in March 2017

## Proposed Programme 2017/18

The table below sets out the proposed programme of updates and briefings to be delivered in 2017/18:

Briefing theme & potential specific topics	Proposed timing
<b>Countering Fraud</b> <ul style="list-style-type: none"> <li>Whistleblowing</li> <li>Investigative practice</li> <li>Fraud risks and the Councils response</li> <li>Governance policies</li> </ul>	September 2017
<b>Commissioning, procurement and contracting</b> <ul style="list-style-type: none"> <li>Risks in commissioning</li> <li>Effective procurement processes</li> </ul>	January 2018
<b>Assurance across partnerships</b> <ul style="list-style-type: none"> <li>Governance challenges in partnership working</li> <li>Review on specific partnerships</li> </ul>	March 2018

Briefing theme & potential specific topics	Proposed timing
<b>Understanding local authority accounts</b> <ul style="list-style-type: none"> <li>○ General understanding of accounts</li> <li>○ Specific update/annual issues</li> <li>○ Comparative review of LG accounts</li> </ul>	June / July 2018 to align with approval of the accounts
<b>Standards/Code of Conduct</b> <ul style="list-style-type: none"> <li>○ The Kent Code</li> <li>○ Hearing practices</li> <li>○ Case studies</li> </ul>	Not proposed for 2017/18
<b>Reviewing an audit plan</b> <ul style="list-style-type: none"> <li>○ Member roles in relation to internal audit</li> <li>○ Ensuring effective internal audit</li> <li>○ Performance measures in audit</li> </ul>	Not proposed for 2017/18
<b>Internal Audit Standards</b> <ul style="list-style-type: none"> <li>○ How standards are set and monitored</li> <li>○ Specific work on IA conformance</li> </ul>	Not proposed for 2017/18; no external assessment required until 2020.
<b>Risk Management</b> <ul style="list-style-type: none"> <li>○ Risk appetite</li> <li>○ Specific strategic and operational risks</li> <li>○ Risk management strategy</li> <li>○ Local government risk outlook</li> </ul>	Flexible timing at any point in the 2018/19 year
<b>Role of internal and external audit</b> <ul style="list-style-type: none"> <li>○ Differences in internal/external audit role</li> <li>○ Assuring effective external audit</li> <li>○ External auditor appointment</li> </ul>	Flexible timing at any point in the 2018/19 year

## Conclusion

The Audit, Governance & Standards Committee, in partnership with the Council's Internal and External Auditors, and with the support of Officers has provided robust and effective independent assurance to the Council on a wide range of risk, governance and internal control areas.

The Audit, Governance & Standards Committee can demonstrate that it has appropriately and effectively fulfilled its duties during 2016/17.

## Terms of Reference & Responsibilities

Audit Activity
<p>a) To consider the Head of Internal Audit Partnership's annual report and opinion, and a summary of Internal Audit activity (actual and proposed) and the level of assurance it can give over the Council's corporate governance arrangements.</p> <p>b) To consider reports dealing with the management and performance of Internal Audit Services, including consideration and endorsement of the Strategic Internal Audit Plan and any report on agreed recommendations not implemented within a reasonable timescale; and the Internal Audit Charter.</p> <p>c) To consider the External Auditor's Annual Audit Letter, relevant reports, and any other report or recommendation to those charged with governance; and ensure that the Council has satisfactorily addressed all issues raised. To comment on the scope and depth of external audit work and to ensure it gives value for money.</p> <p>d) To review and approve the annual statement of accounts. Specifically to consider whether appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council.</p> <p>e) Consider and review the effectiveness of the Treasury Management Strategy, Investment Strategy, Medium Term Financial Strategy, Annual Report and Mid-Year review and make recommendations to the Policy and Resources Committee and Council.</p> <p>f) Recommend and monitor the effectiveness of the Council's Counter-Fraud and Corruption Strategy.</p>
Governance
<p>a) To maintain a financial overview of the operation of Council's Constitution in respect of contract procedure rules, financial regulations and codes of conduct and behaviour.</p> <p>b) In conjunction with Policy and Resources Committee to monitor the effective development and operation of risk management and corporate governance in the Council to ensure that strategically the risk management and corporate governance arrangements protect the Council.</p> <p>c) To monitor Council policies on 'Raising Concerns at Work' (Whistleblowing) and the 'Anti-fraud and corruption' strategy.</p> <p>d) To oversee the production of the authority's Annual Governance Statement and to agree its adoption.</p> <p>e) The Council's arrangements for corporate governance and agreeing necessary actions to ensure compliance with best practice and high standards of ethics and probity. This Committee will receive the annual review of the Local Code of Corporate Governance and may make recommendations to Policy and Resources Committee for proposed amendments, as necessary.</p> <p>f) To consider whether safeguards are in place to secure the Council's compliance with its own and other published standards and controls.</p>

## Standards

- a) The promotion and maintenance of high standards of conduct within the Council.
- b) To advise the Council on the adoption or revision of its Codes of Conduct.
- c) To monitor and advise the Council about the operation of its Codes of Conduct in the light of best practice, and changes in the law, including in relation to gifts and hospitality and the declaration of interests.
- d) Assistance to Councillors, Parish Councillors and co-opted members of the authority to observe the Code of Conduct.
- e) To ensure that all Councillors have access to training in Governance, Audit and the Councillor Code of Conduct; that this training is actively promoted; and that Councillors are aware of the standards expected under the Councils Codes and Protocols.
- f) To deal with complaints that Councillors of the Borough Council and Parish Councils may have broken the Councillor Code of Conduct.
- g) Following a formal investigation and where the Monitoring Officer's investigation concludes that there has been a breach of the Code of Conduct a hearing into the matter will be undertaken. *See the procedure at 4.2 of the Constitution for dealing with complaints that a Councillor has breached the Code of Conduct.*
- h) Advice on the effectiveness of the above procedures and any proposed changes.
- i) Grant of dispensations to Councillors with disclosable pecuniary interests and other significant interests, in accordance with the provisions of the Localism Act 2011.



## Audit, Governance and Standards Committee

**26 June 2017**

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

**No**

## Budget Strategy – Risk Assessment Update

<b>Final Decision-Maker</b>	Council
<b>Lead Director</b>	Director of Finance and Business Improvement
<b>Lead Officer and Report Author</b>	Director of Finance and Business Improvement
<b>Classification</b>	Public
<b>Wards affected</b>	All

### This report makes the following recommendation:

1. That the Audit Governance and Standards Committee notes the updated risk assessment of the Budget Strategy provided at Appendix A.

### This report relates to the following corporate priorities:

- Keeping Maidstone Borough an attractive place for all
- Securing a successful economy for Maidstone Borough

### Timetable

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 June 2017

# Budget Strategy – Risk Assessment Update

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The remit of the Audit Governance and Standards Committee includes consideration of risk. Accordingly, as part of the process of setting a budget for 2017/18, the Committee considered a risk analysis produced by the Finance Service for the Budget Strategy at its meeting on 16 January 2017.
- 1.2 Members requested that the Budget Risk Matrix and Risk Register be updated and reported to each meeting of the Committee, so that it continues to be fully briefed on factors likely to affect the Council's budget position.

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## 2. INTRODUCTION AND BACKGROUND

- 2.1 The key element in the Council's budget strategy is its rolling five year Medium Term Financial Strategy (MTFS). The current MTFS also fulfils the government's requirement that the Council prepare and publish an Efficiency Plan. The MTFS and Efficiency Plan were approved by Council in September 2016.
- 2.2 Officers subsequently developed detailed budget proposals for 2017/18 and the remaining four years of the medium term financial strategy. Following a thorough review of the budget proposals by the Council's Service Committees and some modifications, these were reflected in the annual budget for 2017/18 approved by Council at its meeting on 1<sup>st</sup> March 2017.
- 2.3 Since the last meeting of the Committee in March 2017, the General Election and its outcome have created greater uncertainty at a national level. Locally, the final outturn for the Council's financial year 2016/17 is now known, and an assessment of the risks of failing to deliver against the 2017/18 budget has been carried out.
- 2.4 The risks included in the Budget Risk Register have been reviewed in light of these developments. A summary of the changes to the risk register are set out below. Appendix A sets out the budget risks in the form of a Risk Matrix and Risk Register.

	Risk	Factor considered	Implications for risk profile
A	Failure to contain expenditure within agreed budgets	Overall performance was within budget in 2016/17. Risk of overspending in 2017/18 has been assessed but is currently considered to be manageable.	Impact – no change Likelihood – reduced slightly
B	Fees and Charges fail to deliver sufficient income	Delay in implementation of Planning Fee increase (which would have generated additional income of £200,000) owing to the General Election will lead to budget being missed.	Impact – no change Likelihood – increased slightly
C	Commercialisation fails to deliver additional income	A recovery strategy has been implemented following the failure of Mote Park Café to deliver income targets in 2016/17. The commercialisation strategy has now been refocused around housing and regeneration.	Impact – no change Likelihood – no change
D	Planned savings are not delivered	Initial assessment of potential for delivering the £1.8 million of savings due in 2017/18 is positive.	Impact – no change Likelihood – reduced slightly
E	Shared Services fail to meet budget	All shared services achieved budget in 2016/17. No indications so far of adverse variances in 2017/18.	Impact – no change Likelihood – no change
F	Council holds insufficient balances	Council held usable reserves of £17.8 million as at 31 March 2017, which is considered a reasonable but not excessive level.	Impact – no change Likelihood – no change
G	Inflation rate predictions underlying MTFS are inaccurate	CPI increase was 2.9% for year to May 2017. Budget projection was 1.6%.	Impact – no change Likelihood – slightly increased
H	Adverse impact from changes in local government funding	The expected introduction of 100% business rates retention in 2019/20 may be delayed. Impact on MBC difficult to quantify at this	Impact – no change Likelihood – increased

	Risk	Factor considered	Implications for risk profile
		stage.	slightly
I	Constraints on Council Tax increases	No indications so far of new government's stance on Council Tax increases.	Impact – no change Likelihood – no change
J	Funding the capital programme	Council is likely to continue being able to access borrowing at competitive rates. Careful consideration will be given as to whether any borrowing is sustainable given potential for interest rates to increase.	Impact – no change Likelihood – no change
K	Increased complexity of government regulation	No new developments.	Impact – no change Likelihood – no change
L	Collection targets missed for Council Tax and Business Rates collection	Performance in 2017/18 is slightly below target, but it is still relatively early in the year.	Impact – no change Likelihood – no change
M	Kent Business Rates Pool fails to generate sufficient growth to cover safety net payments	Projected benefit from Kent Business Rates Pool to increase from £5.1m to £7.5m in 2017/18 (county-wide)	Impact – no change Likelihood – no change

Note: Some of the risk descriptions have been amended since March 2017 for greater clarity.

### 3. AVAILABLE OPTIONS

- 3.1 The Committee may wish to consider further risks not detailed in Appendix A or vary the impact or likelihood of any risks. This may impact the Finance Section's service planning and/or be reflected in the developing Medium Term Financial Strategy.
- 3.2 There is no constitutional requirement for Policy and Resources Committee to consult with the Audit Governance and Standards Committee on this matter, and it is open to the Committee to make no comments or recommendations.

#### **4. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK**

- 4.1 Each year the council as part of the development of the MTFS and budget carries out consultation on the priorities and spending of the council.
- 4.2 Consultation on the budget in Autumn 2016 took the form of a short survey. Residents were asked to prioritise ten areas of spending and then to consider whether the spending for those ten areas should remain the same, be reduced or cut altogether. The survey could be accessed both as a paper document or on-line via the Council's website. It was promoted through face to face budget roadshows at a wide range of venues around the borough, in the Kent Messenger and in a range of other media. The results of the consultation were set out in reports to the Service Committees on the budget proposals.
- 4.3 For the 2018/19 budget, it is proposed to use the Residents' Survey, to be undertaken in Summer 2017, to consult residents on budget priorities.

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#### **5. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION**

- 5.1 The Audit, Governance and Standards Committee plans to continue keeping the budget risk profile under review at subsequent meetings.

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#### **6. CROSS-CUTTING ISSUES AND IMPLICATIONS**

<b>Issue</b>	<b>Implications</b>	<b>Sign-off</b>
<b>Impact on Corporate Priorities</b>	The Medium Term Financial Strategy and the budget are a re-statement in financial terms of the priorities set out in the strategic plan. They reflect the Council's decisions on the allocation of resources to all objectives of the strategic plan.	Director of Finance and Business Improvement
<b>Risk Management</b>	Matching resources to priorities in the context of the significant pressure on the Council's resources is a major strategic risk. Specific risks are set out in Appendix A.	Director of Finance and Business Improvement
<b>Financial</b>	The budget strategy and the MTFS impact upon	Director of Finance and

	all activities of the Council. The future availability of resources to address specific issues is planned through this process.	Business Improvement
<b>Staffing</b>	The process of developing the budget strategy will identify the level of resources available for staffing over the medium term.	Director of Finance and Business Improvement
<b>Legal</b>	The Council has a statutory obligation to set a balanced budget and development of the MTFS and the strategic revenue projection in the ways set out in this report supports achievement of a balanced budget.	Director of Finance and Business Improvement
<b>Equality Impact Needs Assessment</b>	The Council's budgeted expenditure will have a positive impact as it will enhance the lives of all members of the community through the provision of resources to core services. In addition it will affect particular groups within the community. It will achieve this through the focus of resources into areas of need as identified in the Council's strategic priorities.	Director of Finance and Business Improvement
<b>Environmental/Sustainable Development</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
<b>Community Safety</b>	The resources to achieve the Council's objectives are allocated through the development of the	Director of Finance and Business Improvement

	Medium term Financial Strategy.	
<b>Human Rights Act</b>	None	
<b>Procurement</b>	The resources to achieve the Council's objectives are allocated through the development of the Medium term Financial Strategy.	Director of Finance and Business Improvement
<b>Asset Management</b>	Resources available for asset management are contained within the budget proposals.	Director of Finance and Business Improvement

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## 7. BACKGROUND PAPERS

None.

## Budget Strategy Risks

### Summary

The risk matrix below provides a summary of the key budget risks. The risk register that follows provides more detail on each risk.

Likelihood 74	5					
	4			B		
	3			C	H	
	2		E	F,G, I,L,M	A, D, J	
	1		K			
		1	2	3	4	5
		Impact				

- A. Failure to contain expenditure within agreed budgets
- B. Fees and Charges fail to deliver sufficient income
- C. Commercialisation fails to deliver additional income
- D. Planned savings are not delivered
- E. Shared services fail to meet budget
- F. Council holds insufficient balances
- G. Inflation rate predictions underlying MTFS are inaccurate
- H. Adverse impact from changes in local government funding
- I. Constraints on council tax increases
- J. Funding the capital programme
- K. Increased complexity of government regulation
- L. Collection targets for Council Tax and Business Rates missed
- M. Business Rates pool fails to generate sufficient growth



## Budget Strategy Risk Register 2017/18

The following risk register sets out the key risks to the budget strategy 2017/18 onwards. The register sets out the consequences of each risk and the existing controls in place.

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
75	<b>A</b> <b>Failure to contain expenditure within agreed budgets</b> The Council overspends overall against its agreed budget for the year	Failure to meet the budget makes it more likely that the Council will have to rely on short term expedients to balance the budget from year to year, rather than following a coherent long term strategy.	<ul style="list-style-type: none"> <li>- Embedded and well established budget setting process</li> <li>- Medium Term Financial Strategy</li> <li>- Balanced budget agreed by Council for 2017/18.</li> <li>- Strong controls over expenditure and established process for recovering from overspends</li> </ul>	4	2	8
	<b>B</b> <b>Fees &amp; Charges fail to deliver sufficient income</b> Fee charging services may be affected if there is a downturn in the economy, resulting in Fees and Charges failing to deliver the expected level of income.	The total value of all Council income from fees and charges is in excess of £16 million. A loss of income for service budgets will require restrictions on expenditure levels and delivery of all objectives may not be met.	<ul style="list-style-type: none"> <li>- Fees and charges are reviewed each year, paying careful attention to the relevant market conditions</li> <li>- Where the Council is operating in a competitive market, the aim is to ensure price sensitivity does not lead to a loss of income.</li> <li>- Procedures are in place to ensure that fees and charges are billed promptly (or in advance) and that collection is maximised.</li> </ul>	3	4	12
	<b>C</b> <b>Commercialisation fails to deliver additional income</b> The commercial activities currently being delivered and projected in the MTFS do not	The medium term financial strategy includes a contribution from commercial opportunities, so any shortfall would have an impact on the overall strategy.	<ul style="list-style-type: none"> <li>- The Council set aside a provision of £0.5m against losses from activities that do not deliver. This provision is cash limited but</li> </ul>	3	3	9

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
	deliver the expected level of income.	Income generation from commercial activities supports the revenue budget and is required in ordered to pay back capital investment.	<p>available to cover short term losses.</p> <p>- Individual risks associated with specific projects within commercialisation strategy will be assessed, both as part of the project appraisal process and during the course of delivering the projects.</p> <p>- Decision made to outsource the management of the Mote Park Café from Autumn 2017.</p>			
76 D	<p><b>Planned savings are not delivered</b></p> <p>Failure to deliver savings and / or failure to monitor savings means that the Council cannot deliver a balanced budget</p>	<p>The level of saving required to achieve a balanced budget is significant and non-delivery of these savings will have a major consequence on managing financial viability of the organisation.</p> <p>Not achieving savings will impact the overall delivery of the Medium Term Financial Strategy and would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>- The risks associated with delivery of savings proposed in the current Medium Term Financial Strategy have been reviewed as part of the budget setting process.</p> <p>- Savings proposals are separately identified and monitored in the Council's general ledger.</p> <p>- The ability to achieve the targeted savings is reported quarterly to Corporate Leadership Team and to Service Committees.</p>	4	2	8
E	<p><b>Shared Services</b></p> <p>Shared services, which are not entirely under the Council's control, fail to perform within budgeted levels.</p>	<p>Failure of a shared service to manage within the existing budget will have the same consequences as for any overspending budget, ie it would require appropriate action, which might include the suspension of some Council services, redundancies, etc.</p>	<p>The arrangements governing shared services include a number of controls that minimise the risk of budget overspends and service failure, including quarterly reporting to a Shared Service Board comprising representatives of the authorities involved. The shared services are required to report regularly on financial performance and key indicators.</p>	2	2	4

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
F	<p><b>Insufficient Balances</b></p> <p>Minimum balance is insufficient to cover unexpected events</p> <p>OR</p> <p>Minimum balances exceed the real need and resources are held without identified purpose with low investment returns</p>	<p>Additional resources would be needed which would result in immediate budget reductions or use of earmarked reserves.</p> <p>The Council would not gain best value from its resources as Investment returns are low in the current market.</p>	<p>- The Council has set a lower limit below which General Fund balances cannot fall of £2 million.</p> <p>- At the beginning of the 2016/17 financial year General Fund balances stood at £4.6 million.</p>	3	2	6
G	<p><b>Inflation rate predications underlying MTFS are inaccurate</b></p> <p>Actual levels are significantly above or below prediction</p>	<p>Unexpected rises will create an unbudgeted drain upon resources and the Council may not achieve its objectives without calling upon balances.</p> <p>Services have supported the budget strategy through savings. Levels below those expected would result in an increase in balances or unused resources that could be used to achieve strategic priorities.</p>	<p>- Allowances for inflation are developed from three key threads:</p> <ul style="list-style-type: none"> <li>○ The advice and knowledge of professional employees</li> <li>○ The data available from national projections</li> <li>○ An assessment of past experience both locally and nationally</li> </ul> <p>- Current inflation projections are in line with the Bank of England and economic commentators.</p>	3	2	6
H	<p><b>Adverse impact from changes in local government funding</b></p> <p>Unexpected shocks lead to changes in Local Government funding. Government strategy fails to address economic challenges, such as those which could arise from Brexit.</p>	<p>The Council will no longer receive Revenue Support Grant (RSG) after 2016/17, but will be subject to 'negative RSG' in 2019/20 and the amount of this negative RSG – effectively a government tax on the Council – could increase if public finances come under pressure.</p>	<p>- The medium term financial strategy to 2021/22 has been developed to allow for a significant impact on the Council's resources,</p> <p>- The Council has developed other sources of income to ensure it can maximise its resources while dealing with the consequences of government strategy.</p>	3	4	12
I	<p><b>Constraints on council tax increases</b></p> <p>The limit on Council Tax increases means that the Council must manage expenditure pressures even if these potentially give rise to cost increases greater than 2% per annum.</p>	<p>The limit on Council Tax increases means that additional pressures, such as those arising from providing temporary accommodation, have to be absorbed by making savings elsewhere.</p>	<p>- Planning for the budget 2017/18 has been based upon a £4.95 (2.06%) increase, as agreed by Policy and Resources Committee at its meeting on 29 June 2016 and by full Council at its meeting on 1<sup>st</sup> March 2017.</p>	3	2	6

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
			- No issues have been raised in relation to the proposed increase through consultation.			
J	<b>Funding the capital programme</b> Reduction or total loss of funding sources means that the capital programme cannot be delivered	<p>The main sources of funding are:</p> <ul style="list-style-type: none"> <li>○ New Homes Bonus</li> <li>○ Capital Grants</li> <li>○ Prudential borrowing</li> <li>○ Developer contributions (\$106)</li> </ul> <p>A reduction in this funding will mean that future schemes cannot be delivered.</p>	<p>- Council has been able to fund the capital programme without recourse to borrowing,</p> <p>- Council has confirmed in the past that borrowing is acceptable if it meets the prudential criteria.</p> <p>- Local authorities continue to be able to access borrowing at relatively low cost through the Public Works Loan Board and our treasury advisers expect this to continue being the case.</p> <p>- Council remains active and aware of Housing White Paper to incorporate 'right to buy' – and the impact on the Housing investment programme.</p>	4	2	8
K	<b>Increased complexity of government regulation</b> Complexity of financial and other regulations along with increasing delays in providing guidance reduce the ability of the Council to identify risks at an early stage.	<p>On a small number of occasions the financial consequences of future events are likely to be significant. Failure to provide adequate warning would leave the council little time to prepare through the medium term financial strategy.</p> <p>In general these events bring consequences to other agencies and external relationships.</p>	<p>- The Council has formal procedures for monitoring new legislation, consultations and policy / guidance documents.</p> <p>- Our relationships with organisations such as the Council's external auditor provide access to additional knowledge regarding relevant future events.</p>	2	1	2
L	<b>Business Rates &amp; Council Tax collection</b> Council fails to maintain collection targets for business rates and council tax	<p>Failure to achieve collection targets will reduce the level of key resources to ensure a balanced budget. This will mean further cuts in other budgets or the</p>	- The Council has a good track record of business rates and Council Tax collection.	3	2	6

Ref	Risk (title & full description)	Consequences	Key Existing Controls	Overall Risk rating		
				I	L	Σ
		<p>cost of financing outgoing cash flow to other agencies in relation to taxes not yet collected.</p> <p>Business rates due are in excess of £60 million for 2017/18.</p> <p>Council tax due is in excess of £80 million per annum.</p>	<p>- Steps are taken to maximise collection rates, such as active debt collection, continual review of discounts, etc.</p>			
79 M	<p><b>Business Rates pool</b></p> <p>Changes to rateable value (RV) or instability of business rates growth within the pool means that members require support from the Council</p>	<p>Membership of Business Rates Pool precludes access to the central government safety net.</p> <p>Changes in RV or instability in growth will result in a reduction in income from business rates and a potential consequence for the Council.</p>	<p>- Provisions exist so any loss of income would relate to the excess over the provision already made.</p> <p>- The pool is monitored quarterly Kent wide and Maidstone is the Pool administrator. Projected benefit of pool increased from £5.1m to £7.5m.</p> <p>- The Council has the ability to exit the pool on 1<sup>st</sup> April in any year by giving notice by the previous September.</p>	3	2	6

# Impact & Likelihood Scales

## RISK IMPACT

Level	Service risk	Reputation Risk	H&S	Legal Risk	Financial Risk	En'ment Risk
Catas-trophic (5)	Ongoing failure to provide an adequate service	Perceived as failing authority requiring intervention	Responsible for death	Litigation almost certain and difficult to defend. Breaches of law	Uncontrollable financial loss or overspend over £500k	Permanent, major environmental or public health damage
Major (4)	Failure to deliver Council priorities Poor service. Disrupted 5 days+	Significant adverse national publicity	Fails to prevent death, causes extensive perm injuries or LT sick	punishable by imprisonment or significant fines	Financial loss or overspend greater than £250k	Long term major public health or environmental incident (1yr+)
Moderate (3)	Unsatisfactory performance Service disrupted/ stopped 3-5 days	Adverse national publicity or significant adverse local publicity	Fails to prevent extensive, permanent injuries or LT sickness	Litigation expected, but defensible Breaches of law punishable by fines	Financial loss or overspend greater than £50k	Medium term major public health or environmental incident (up to 1yr)
Minor (2)	Marginal reduction in performance Service disrupted/ stopped 1-2 days	Minor adverse local publicity	Medical treatment required, potential long term injury or sickness	Complaint likely, litigation possible Breaches of regs or standards	Financial loss or overspend greater than £10k	Short term public health or environmental incident (weeks)
Minimal (1)	No significant service impact Service disruption up to 1 day	Unlikely to cause adverse publicity	First aid level injuries	Unlikely to cause complaint Breaches of local procedures	Financial loss or overspend under £10k	Environmental incident with no lasting detrimental effect

# RISK LIKELIHOOD

Type	Probability	Detail description
Almost certain (5)	90%+	Without action is likely to occur; frequent similar occurrences in local government/Council history
Probable (2)	60%-90%	Strong possibility; similar occurrences known often in local government/Council history
Possible (3)	40%-60%	Might occur; similar occurrences experienced in local government/Council history
Unlikely (2)	10%-40%	Not expected; rare but not unheard of occurrence in local government/Council history
Rare (1)	0%-10%	Very unlikely to occur; no recent similar instances in local government/Council history

# Agenda Item 15

## Audit, Governance and Standards Committee

**26 June 2017**

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

**Yes**

## Draft Statement of Accounts 2016-17

<b>Final Decision-Maker</b>	Audit, Governance and Standards Committee
<b>Lead Director or Head of Service</b>	Mark Green, Director of Finance & Business Improvement
<b>Lead Officer and Report Author</b>	Ellie Dunnet, Head of Finance
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	N/A

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

1. To note the draft 2016-17 Statement of Accounts attached at **Appendix A**

**This report relates to the following corporate priorities:**

The Statement of Accounts shows how the council has managed its resources over the previous financial year. Effective financial management is integral to ensuring that value for money is achieved in the delivery of the council's objectives and this therefore underpins all corporate priorities.

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards Committee	26 June 2017 (draft)
Audit, Governance and Standards Committee	18 September 2017 (final – audited)



# Draft Statement of Accounts 2016-17

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The draft statement of accounts attached at **Appendix A** to this report summarises income and expenditure for the financial year to 31 March 2017, and details the council's assets, liabilities and reserves at this date.
- 1.2 The council is required to submit a draft copy of the statement to its external auditors by 30 June in line with the amended Accounts & Audit Regulations 2011. 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.
- 1.3 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.

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## 2. INTRODUCTION AND BACKGROUND

- 2.1 The Statement of Accounts consists of:

**Narrative Report** – this summarises the council's performance over the financial year 2016-17 and highlights the most significant elements of the financial statements. This year, the Narrative Report has been re-formatted in order to make it a user-friendly document that can be used widely to communicate how the Council is performing in financial terms.

**Comprehensive Income and Expenditure Statement (CIES)** – shows the accounting position of the council, and whether operations have resulted in a net surplus or deficit. The accounting position includes cash payments made to employees and for services, as well as non-cash expenditure such as depreciation and accruals. It also shows all sources of income received and accrued in the year. Accrued expenditure represents the value of goods or services received by the authority by 31 March which have not been paid. Similarly, accrued income represents income due, but not yet received.

**Movement in Reserves Statement** – this is a financial statement which details the balances the council held in reserves at 31 March 2017, analysed into usable reserves (such as the general fund, earmarked balances and capital receipts reserve) and unusable reserves (such as the pensions reserve, revaluation reserve and capital adjustment account).

**Balance Sheet** – this can be seen as a 'snapshot' of the authority's financial position at a specific point in time, showing what it owns and owes at 31 March 2017.

**Cash Flow Statement** – sets out the authority's cash receipts and payments during the year, and analyses them into operating, investing and financing activities.

**Expenditure & Funding Analysis** – reconciles the net expenditure chargeable to the general fund to the accounting position shown in the CIES.

**Accounting Policies** – set out the accounting rules the authority has followed in compiling its financial statements.

**Disclosure Notes** – provide additional details on the headline figures included in the main financial statements.

**Collection Fund Statement** – summarises transactions relating to council tax and business rates for the 2016-17 financial year.

- 2.2 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). Both frameworks require a number of complex and detailed disclosures which accompany the main financial statements.
- 2.3 The format of the comprehensive income and expenditure statement (CIES) has changed for 2016-17. This is now based on the council's service committees, rather than the standard headings prescribed by CIPFA as in previous years. The comparative figures for 2015/16 have also been restated in this format.
- 2.4 Officers have made efforts to 'de-clutter' the Statement of Accounts in recent years by removing unnecessary and immaterial disclosures. The remaining disclosures may appear extensive, but are considered necessary in order to comply with accounting standards.
- 2.5 The accounts show that the balance on the general fund and earmarked reserves has decreased by £1.5m to £17.35m at the end of 2016-17. The decrease relates to use of New Homes Bonus previously set aside for capital expenditure to fund large acquisitions during 2016-17.
- 2.6 Other headline messages from the Statement of Accounts can be summarised as follows:
  - The Revenue Outturn as set out in the CIES represents an underspend of £89,000 as compared with the budget for the year. This is an improved position as compared with the projected overspend reported in quarterly monitoring during the course of the year.
  - The value of property, plant and equipment has increased by £6.3m. This relates to two major property acquisitions made during 2016-17: the former Royal Mail site next to Maidstone East station, in partnership with Kent County Council, and Granada House in Gabriel's Hill.
  - Movements in the short term debtor and creditor balances reflect the council's role as lead authority for Kent Business Rates pool.
  - Movements in the value of short term investments and cash and cash equivalents represent a greater proportion of the council's surplus cash balances being invested in highly liquid, short term deposit accounts as interest rates are currently not sufficient to justify entering into longer term investments.

- Long term liabilities have increased by £16.9m, 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.

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### 3. AVAILABLE OPTIONS

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

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### 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 A** to this report.
- 4.2 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.

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### 5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	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 Finance & Business Improvement
<b>Risk Management</b>	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.	Director of Regeneration & Place

	A risk assessment has been undertaken in order to mitigate this risk.	
<b>Financial</b>	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2017, and details the council's assets, liabilities and reserves at this date.	Section 151 Officer & Finance Team
<b>Staffing</b>	Not applicable.	
<b>Legal</b>	Not applicable.	
<b>Equality Impact Needs Assessment</b>	Not applicable.	
<b>Environmental/Sustainable Development</b>	Not applicable.	
<b>Community Safety</b>	Not applicable.	
<b>Human Rights Act</b>	Not applicable.	
<b>Procurement</b>	Not applicable.	
<b>Asset Management</b>	Not applicable.	

## **6. REPORT APPENDICES**

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

- **Appendix A:** Draft un-audited Statement of Accounts 2016-17
- 

## **7. BACKGROUND PAPERS**

None

# STATEMENT OF ACCOUNTS

for the year ending  
31st March 2017



Narrative Report  
Statement of Responsibilities for the Statement of Accounts

## Primary Statements:

Comprehensive Income & Expenditure Statement  
Movement in Reserves  
Balance Sheet  
Cash Flow Statement

## Notes to the Accounts:

Expenditure & Funding Statement  
Notes to the Expenditure & Funding Statement  
Accounting Policies  
Critical Judgements in Applying Accounting Policies  
Assumptions Made About the Future & Other Major Sources of Estimation Uncertainty  
Accounting Standards that have been issued but have not yet been adopted  
Adjustments between Accounting Basis & Funding Basis Under Regulation  
Earmarked Reserves  
Material Items of Income & Expense  
Other Operating Expenditure  
Financing and Investment Income & Expenditure  
Taxation & Non-Specific Grant Incomes  
Trading Operations  
Members' Allowances  
Officers' Remuneration  
External Audit Costs  
Capital Grants Receipts in Advance  
Related Parties  
Property, Plant & Equipment  
Investment Properties  
Heritage Assets  
Financial Instruments  
Nature & Extent of Risks Arising from Financial Instruments  
Debtors  
Cash & Cash Equivalents  
Creditors  
Provisions  
Trust Funds  
Private Finance Initiatives & Similar Contracts  
Capital Receipts Reserve  
Unusable Reserves  
Capital Expenditure & Capital Funding  
Defined Benefit Pension Schemes  
Leases  
Contingent Liabilities  
Events After the Reporting Period  
Cashflow Statement Notes  
Collection Fund and Notes  
Glossary of Terms  
Audit Opinion

## Appendices

Appendix A - Annual Governance Statement

# NARRATIVE

## Report 2017







## About Maidstone

The borough of Maidstone is set in the heart of Kent, between the North Downs and the Weald. It has a population of 164,500, occupying a mix of rural and urban areas, and is 32 miles south-east of London and 32 miles from the Eurotunnel terminal at Folkestone.

The total area of the borough is 151 square miles. It includes Maidstone, the County Town of Kent, where around 70% of the population live, and many villages, with larger ones such as Staplehurst, Marden, Headcorn, Lenham and Harrietsham being important local service centres.

The River Medway flows northwards through the borough on its route to Rochester and the Thames Estuary. The Rivers Teise and Beult join the Medway at Yalding, and the River Len joins further downstream at Maidstone. The area has some spectacular landscapes and has a rich historical heritage, with over 2,000 listed buildings.

With nearly 7,000 businesses, we have the largest economy in Kent and a lower than average unemployment rate. Agriculture remains an important industry, and there are new commercial developments including the Kent Medical Campus at junction 7 of the M20, which forms part of the North Kent Enterprise Zone. The council continues to plan for the future with investment in projects recently opened and planned totalling more than £300 million.

The Council faces a number of significant challenges over the next few years. The borough needs to accommodate housing and employment growth, which will put pressure on local infrastructure, whilst at the same time protecting its high quality environment. Public services generally face the challenges of constrained funding and increased service demands.

Maidstone Borough Council is a confident organisation, with a strong ambition to deliver our priorities. Building on our strengths – assets, knowledge and expertise and our track record for innovation and improvement - we are creating a financially sustainable future for our borough.

## Maidstone's Strategic Plan

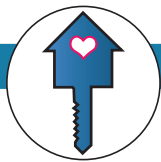
Maidstone has a five year strategic plan covering the years 2015-20. This has been updated in 2016/17 and the council and has identified three areas for action:

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

As a council our mission is to put people first. The three areas of focus will see action that respects our heritage and environment and ensures we continue to have an attractive borough. This year we will start to deliver a new housing and regeneration strategy which will focus on providing much needed sustainable housing for our residents across the borough and further investment in Maidstone town centre.

# Key achievements

Key achievements in 2016/17 have been:



## A home for everyone

- Our Local Plan will guide the future development of the borough. Following extensive local consultation, it was submitted to the Planning Inspectorate for examination in May 2016. Examination hearings ran from October 2016 to January 2017 and gave rise to a number of modifications in order that the Plan can be found sound. The Inspector is expected to conclude on the soundness of the plan and modifications in Summer 2017.
- The Council set up a property holding company, Maidstone Property Holdings Limited, in September 2016 to progress the acquisition, delivery and retention of housing through direct investment. Two major sites are being progressed in addition to smaller purchases that will support the Council's new temporary accommodation strategy. The Council is also working with housing providers to maximise the potential delivery of affordable housing, which should see an additional 200 plus homes provided this year.



## A clean and safe environment

- Over the past 5 years, Maidstone Borough Council has demonstrated its commitment to deliver cost effective and sustainable waste and recycling services. As a result our recycling rate has improved significantly. A food waste campaign was launched in February 2017 with "No Food Waste" stickers being attached to refuse bins, a school theatre workshop campaign and an animated video. The recycling rate is currently 52%.



## Regenerating the town centre

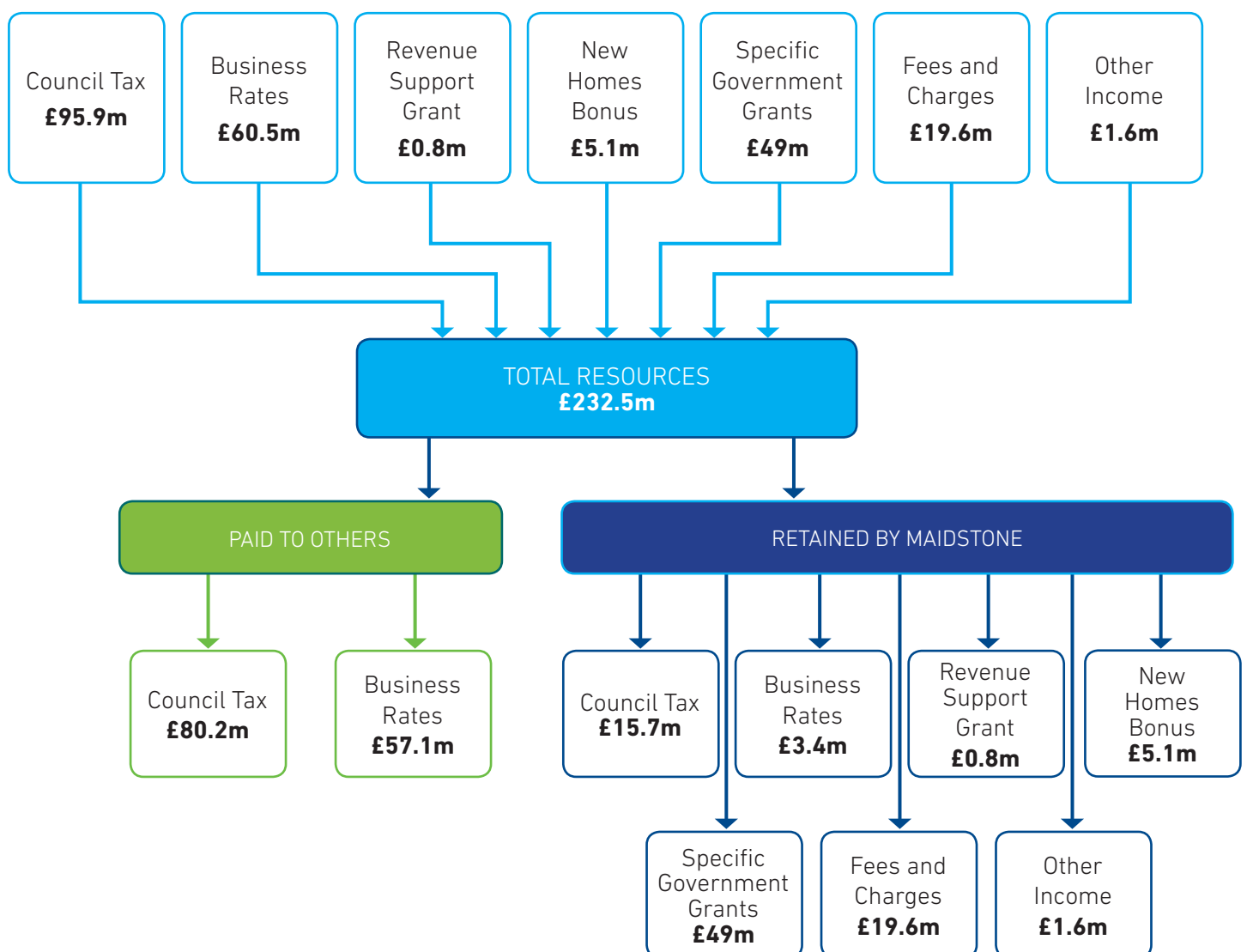
- Progress was made across a wide range of projects. The Council and Kent County Council jointly purchased the former Royal Mail Depot next to Maidstone East station. This is a key site for the town centre and the two Councils are now planning a landmark new mixed use development. The Maidstone bridges gyratory scheme and improvement works to the River Medway cycle path, both part-funded by the Council, were completed. Maidstone Borough Council is now planning to undertake additional public realm improvements to complement the work that has already taken place by upgrading Gabriel's Hill and Week Street.





## Financial Performance

Maidstone Council's financial turnover, including Council Tax and Business Rates collected on behalf of other local authorities and government, amounted to £233 million in 2016/17 (£224 million in 2015/16). The table below shows the flows of income and expenditure.

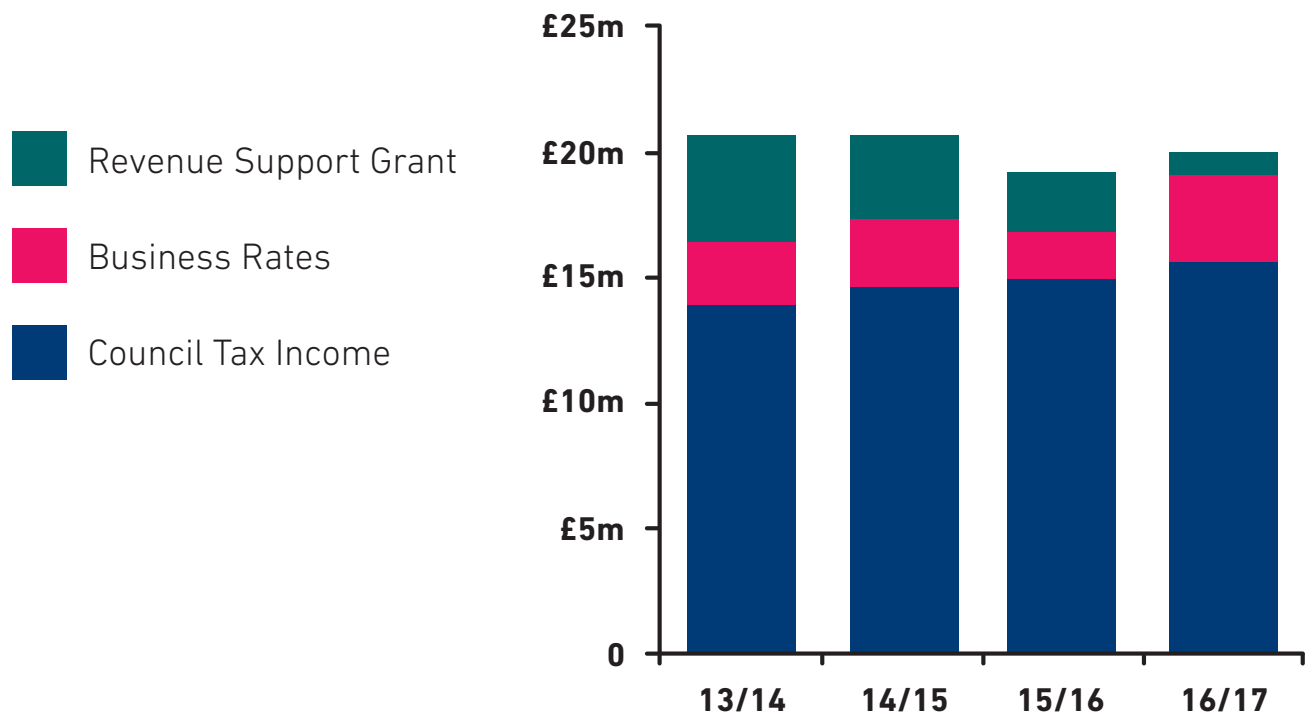




# Income

An increasing proportion of the Council's income is generated locally in Maidstone, through a combination of Council Tax, our share of Business Rates, and Fees and Charges for the services that we provide. By contrast, the Revenue Support Grant from Central Government has fallen from £4.3 million in 2013/14 to £870,000 in 2016/17. It will be zero in 2017/18.

Business rates are increasingly important source of income, but are volatile. Income in 2015/16 was particularly low owing to the need to provide for appeals against business rates valuations.



Fees and Charges account for a further £19.6 million of the Council's income, excluding specific government grants. A new source of income in 2016/17 has come from the Mid Kent Enforcement service, which carries out debt collection previously undertaken by third party bailiffs both for the Council and for other authorities.



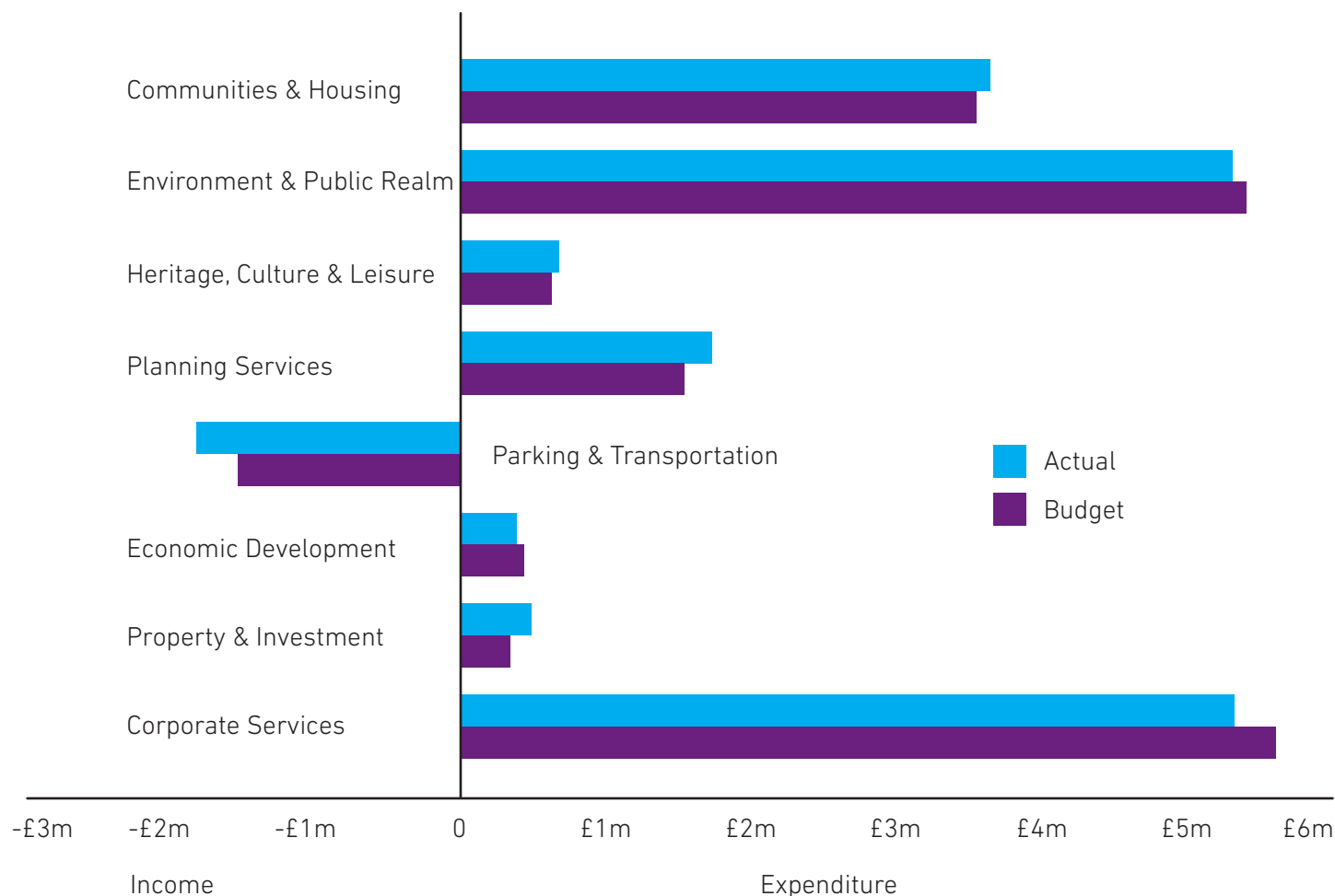


# Expenditure

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

Delivering expenditure in line with budget is likewise an important performance indicator. This objective was achieved overall in 2016/17, but there were areas of overspend which were offset by underspends elsewhere.

The outturn for the year was an overall underspend compared with the budget of £0.2m. Variances are detailed below:



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





## Balance Sheet

**The Balance Sheet** shows the value of the Council's assets less its liabilities at the end of the year. The net assets of the Council (assets less liabilities) are matched by the reserves held by the Council. The Council's net assets fell from £35.4m to £22.7m, mainly because of the need to set aside a higher provision, shown under long term liabilities, for the cost of meeting our legal obligations to pay current and former employees' pensions.

2015/16 £000		2016/17 £000
57,882	Property, Plant & Equipment	64,222
10,384	Heritage Assets	10,384
16,309	Investment Properties	16,346
452	Other Long Term Assets	463
31,138	Money owed to the Council	31,391
(15,074)	Money owed by the Council	(18,754)
(65,715)	Long Term Liabilities	(81,966)
<b>35,376</b>	<b>Net Assets</b>	<b>22,086</b>
19,302	Usable Reserves	17,850
16,074	Unusable Reserves	4,236
<b>35,376</b>	<b>Total Reserves</b>	<b>22,086</b>

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



## Balance Sheet (continued)

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

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

Usable reserves include money set aside for specific purposes and sufficient contingency to cover unforeseen events. In particular, the Council has decided that the New Homes Bonus that it receives will be set aside for capital investment to improve and enhance the borough. £7.2million was held at year end and a capital expenditure programme has been developed setting out how we plan to spend this money. Unusable reserves will only become available at some future date, for example if assets are sold. Unusable reserves fell, reflecting the increase in pension liabilities described above.

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

## Capital Expenditure

The Council made two significant capital investments in 2016/17. It acquired the Royal Mail site next to Maidstone East station for future development, in partnership with Kent County Council, and it acquired Granada House in Gabriel's Hill to generate rental income and to hold as a strategic asset.

The Council plans significant further investment over the next five years as part of its housing and regeneration strategy.

	Actual	Five year plan					Total
	16/17 £000	17/18 £000	18/19 £000	19/20 £000	20/21 £000	21/22 £000	
Housing and regeneration schemes	21	1,500	7,500	11,500	8,500	3,000	32,000
Housing investments	754	3,900	600	600	600	600	6,300
Other housing	840	1,376	1,150	1,150	1,150	1,150	5,976
Commercial property investments	3,653	1,500	0	0	0	0	1,500
Parks and open spaces	641	2,292	1,919	625	0	0	4,836
Town Centre regeneration	131	1,400	1,400	0	0	0	2,800
Maidstone East	2,783	288	212	0	0	0	500
Flood defences	28	50	50	300	550	50	1,000
Infrastructure delivery	500	0	3,000	0	0	0	3,000
Bridges Gyratory Scheme	941	0	0	0	0	0	0
Other	1,559	740	601	520	415	225	2,501
	<b>11,851</b>	<b>13,046</b>	<b>16,432</b>	<b>14,695</b>	<b>11,215</b>	<b>5,025</b>	<b>60,413</b>

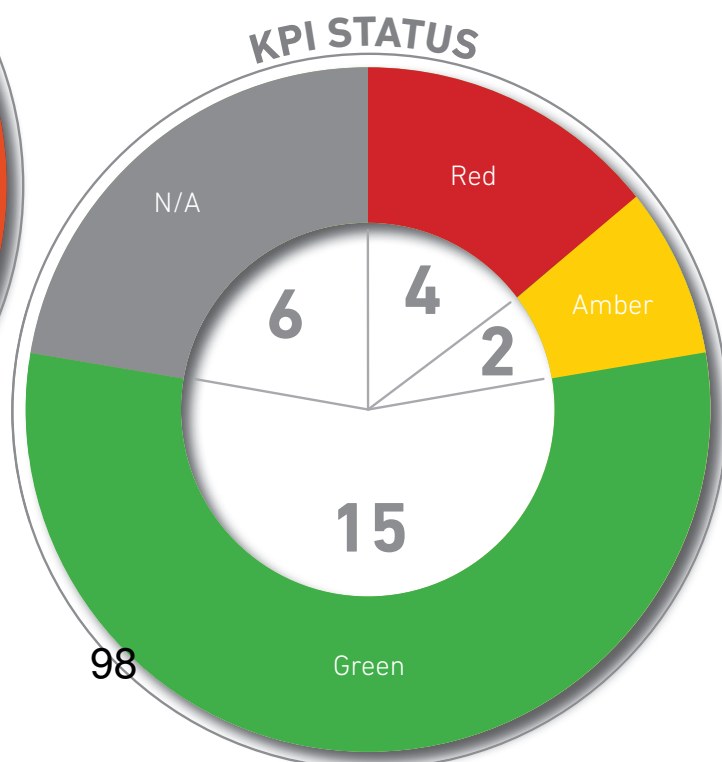
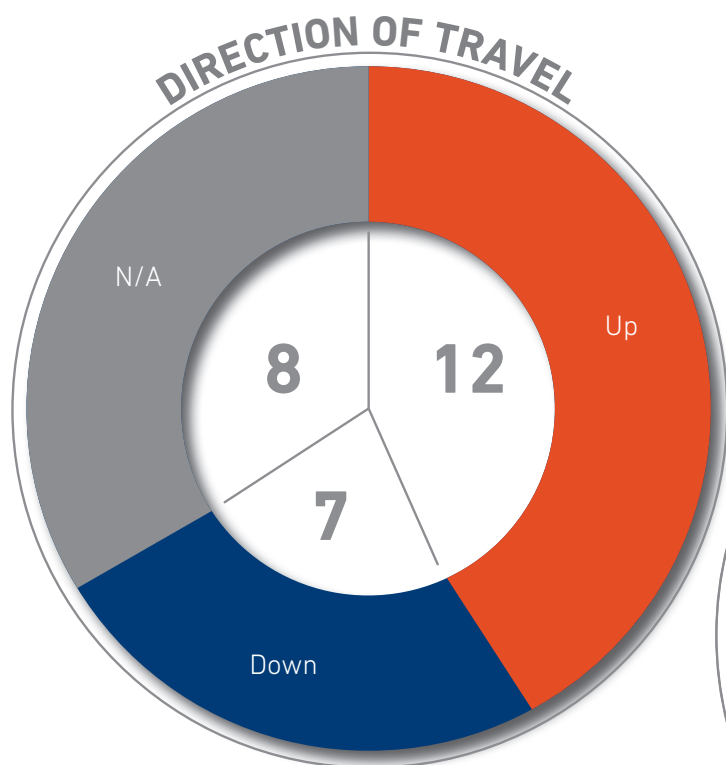


## Key Performance Indicators

Performance is judged in two ways; firstly on whether performance has improved, been sustained or declined, compared to the same period in the previous year. For example, 2016/17 annual performance is compared against 2015/16 annual performance. This is termed **direction of travel**. Where there is no previous data, no assessment of direction can be made.

The second way in which performance is assessed looks at whether an indicator has achieved the target set and is termed **KPI status**. Some indicators may show an asterisk (\*) after the figure, these are provisional figures that are awaiting confirmation.

Data Only indicators are not targeted but are given a direction. Indicators that are not due to be reported or where there is a delay in data collection are not rated against targets or given a direction.





## PRIORITY 1: Keeping Maidstone Borough an attractive place for all

### Providing a clean and safe environment

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Percentage of household waste sent for reuse, recycling and composting (former NI 192)	Waste & Recycling	52.50%	50.30%*	↑	Yellow
The percentage of relevant land and highways that is assessed as having deposits of litter that fall below an acceptable level (former NI 195a)	Street Cleansing	6.50%	2.50%	↓	Green
The percentage of relevant land and highways that is assessed as having deposits of detritus that fall below an acceptable level (former NI 195b)	Street Cleansing	18.00%	7.48%	↓	Green
Number of incidences of fly-tipping	Depot Services	1,200	979	↓	Green
Number of safeguarding practitioners trained	Community Partnerships	200	150**		Red
Percentage change in all crime	Community Partnerships		20.1%	↓	

\*Data for March was not available at the time of publication.

\*\*Data for Quarter 4 (January to March) was not available at the time of publication.

### Encouraging good health and wellbeing

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Number of completed Disabled Facilities Grants	Housing & Health	100	122	↑	Green
User satisfaction with the leisure centre	Leisure Services	82%	78.18%	↓	Yellow
Number of people successfully completing a course at the leisure centre following referral by GP	Community Partnerships		157		
Number of older people helped to reduced social isolation through museum projects	Museum		128		

### Respecting the Character of our Borough

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Percentage of Parishes satisfied with the level of communication and engagement they have with MBC	Democratic Services		38.3%	↑	



## PRIORITY 1: Keeping Maidstone Borough an attractive place for all

## PRIORITY 2: Securing a successful economy for Maidstone Borough

### Ensuring there are good leisure and cultural attractions

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Net Contribution generated from commercial activities	Finance	£623,250	£375,747	↑	Red
Footfall at the Museum and Visitors Information Centre	Museum	78,500	63,541	↓	Red
Number of children taking part in formal educational activities on and off site	Museum	6,500	9,732		Green

### Enhancing the appeal of the town centre

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Footfall on High Street	Economic Development	8,745,691	11,256,227	↑	Green
Percentage of vacant retail units in town centre	Economic Development	12%	9.78%	↑	Green



## PRIORITY 2: Securing a successful economy for Maidstone Borough

### Securing improvements to the transport infrastructure in our Borough

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Number of school journeys undertaken without a car as part of borough wide schemes	Planning Policy	N/A	14,977		
Percentage of sustainable vehicles in Maidstone	Planning Policy	N/A	1.34%		

### Promoting a range of employment skills and opportunities across the Borough

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Percentage of people claiming Out of Work Benefits	Economic Development	2%	1.25%	↑	
Percentage of 16 to 18 year olds who are not in education, employment or training (NEETs)	Economic Development	N/A	2.86%	↑	
Number of Businesses/Start-ups receiving information, advice and guidance	Economic Development	800	877		
Net increase in employment (NOMIS)	Economic Development	2,800	-8,800		

### Planning for sufficient homes to meet our Borough's needs

Indicator Name	Service	2016/17 Target	2016/17 Performance	Direction	RAG
Number of households prevented from becoming homeless through the intervention of housing advice	Housing & Inclusion	300	329	↑	
Number of households housed through housing register	Housing & Enabling	600	643	↓	
Number of affordable homes delivered (gross)	Housing & Enabling	180	303	↑	
Processing of planning applications: Major applications processed within agreed timescales (former NI 157a)	Development Management	80%	94%	↑	
Net additional homes provided (former NI 154)	Planning Policy	550	1,145	↑	







## FUTURE PLANS

The Council has a Medium Term Financial Strategy, which sets out the financial implications of the overall Strategic Plan. During 2016/17, the Council updated its Medium Term Financial Strategy and rolled it forward to cover the years 2017/18 to 2021/22. Key points from the Strategy are a commitment to continue to reduce 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 Mid Kent Services (MKS), and a number of partnership arrangements are now established covering Internal Audit, Revenues & Benefits, ICT Services, Environmental Health, Human Resources & Payroll and Legal Services.

The Council has further developed its commercialisation strategy, with a focus now on housing and regeneration.

The Medium Term Financial Strategy indicates that, given our savings plans, the Council can fund its spending in 2017/18 and 2018/19. On current projections there are shortfalls between projected income and expenditure in subsequent years and work is under way to address these.

The position in the years 2019/20 and beyond is subject to considerable uncertainty, with the Government having committed to introduction of 100% business rates retention in 2019/20, necessitating a thorough overhaul of local government funding. There is also considerable economic uncertainty generally associated with the UK's prospective exit from the EU.

As part of the finance settlement for 2016/17 the Government made an offer of a fixed, four year local government finance settlement. The Council agreed formally to accept this offer in October 2016. The Medium Term Financial Strategy described above serves as the Efficiency Plan, required by the Government to demonstrate how the Council will achieve its objectives within the available resources set out in the settlement.

## RISK MANAGEMENT

The Council addresses future uncertainty through an explicit strategy of managing risk. Risks are identified at corporate and service levels, and mitigations developed to address those risks, with the key outputs from the process reported to the Policy and Resources Committee every six months. The budget risks described above are also addressed in a separate Budget Risk Register which is kept under review by the Audit, Governance and Standards Committee.

### The Council's Responsibilities

The Council is required to:

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

### The Director of Finance & Business Improvement's Responsibilities

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

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

- • Selected suitable accounting policies and applied them consistently.
- • Made judgements and estimates that were reasonable and prudent.
- • Complied with the Code.
- The Director of Finance & Business Improvement has also:
- • Kept proper accounting records which were up to date.
- • Taken reasonable steps for the prevention and detection of fraud and other irregularities.

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2017.

**Signed:**

Mark Green, Director of Finance & Business Improvement

**Date:**

## PRIMARY STATEMENTS

### COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31st March 2016 & 2017

2015/16 (Restated)				2016/17		
Gross Expenditure £000	Gross Income £000	Net Expenditure £000	Committee	Gross Expenditure £000	Gross Income £000	Net Expenditure £000
58,515	(51,709)	6,806	Policy & Resources	59,492	(52,422)	7,070
13,391	(3,547)	9,844	Communities, Housing & Environment	13,672	(4,278)	9,394
8,998	(3,904)	5,094	Heritage, Culture & Leisure	9,428	(4,362)	5,066
8,473	(6,674)	1,799	Strategic Planning, Sustainability & Transportation	8,047	(6,772)	1,275
<b>89,377</b>	<b>(65,834)</b>	<b>23,543</b>	<b>Cost Of Services</b>	<b>90,639</b>	<b>(67,834)</b>	<b>22,805</b>
		655	Other Operating Expenditure (Note 9)	1,608	(1,022)	586
		1,266	Financing and Investment Income and Expenditure (Note 10)	2,450	(652)	1,797
	(24,114)		Taxation and Non-Specific Grant Income and Expenditure (Note 11)		25,863	(25,863)
		<b>1,350</b>	<b>(Surplus) or Deficit on Provision of Services</b>			<b>(675)</b>
			<b>Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services</b>			
	(662)		(Surplus) or deficit on revaluation of property, plant & equipment assets			(634)
	(8,797)		Remeasurement of the Net Defined Benefit Liability			14,603
	(9,459)		<b>Other Comprehensive Income and Expenditure</b>			<b>13,969</b>
	<b>(8,109)</b>		<b>Total Comprehensive Income and Expenditure</b>			<b>13,294</b>

### MOVEMENT IN RESERVES STATEMENT

For the years ending 31st March 2016 & 2017

Current Year	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31st March 2016</b>	18,851	321	130	19,302	16,074	35,376
<b>Movement in Reserves during 2016/17</b>						
Total Comprehensive Income and Expenditure	675	0	0	675	(13,969)	(13,294)
Adjustments between accounting basis & funding basis under regulation (Note 6)	(2,183)	116	(64)	(2,131)	2,131	(0)
<b>Increase or Decrease in 2016/17</b>	<b>(1,508)</b>	<b>116</b>	<b>(64)</b>	<b>(1,456)</b>	<b>(11,838)</b>	<b>(13,294)</b>
<b>Balance at 31st March 2017</b>	<b>17,343</b>	<b>437</b>	<b>66</b>	<b>17,846</b>	<b>4,236</b>	<b>22,082</b>

Comparative Year (Restated)	General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
<b>Balance at 31st March 2015</b>	15,293	154	99	15,546	11,721	27,267
<b>Movement in Reserves during 2015/16</b>						
Total Comprehensive Income and Expenditure	(1,350)	0	0	(1,350)	9,459	8,109
Adjustments between accounting basis & funding basis under regulation (Note 6)	4,908	167	30	5,105	(5,105)	0
<b>Increase or Decrease in 2016/17</b>	<b>3,558</b>	<b>167</b>	<b>30</b>	<b>3,755</b>	<b>4,354</b>	<b>8,109</b>
<b>Balance at 31st March 2016</b>	<b>18,851</b>	<b>321</b>	<b>130</b>	<b>19,302</b>	<b>16,074</b>	<b>35,376</b>

## BALANCE SHEET

As at 31st March 2016 & 2017

31st March 2016 £000		Notes	31st March 2017 £000
57,882	Property, Plant & Equipment	<b>18</b>	64,222
16,309	Investment Property	<b>19</b>	16,346
10,384	Heritage Assets	<b>20</b>	10,384
428	Intangible Assets		444
24	Long Term Debtors		19
<b>85,027</b>	<b>Long Term Assets</b>		<b>91,415</b>
14,000	Short Term Investments	<b>21</b>	4,000
53	Inventories		100
12,935	Short Term Debtors	<b>23</b>	15,791
4,150	Cash & Cash Equivalents	<b>24</b>	11,611
<b>31,138</b>	<b>Current Assets</b>		<b>31,502</b>
9,326	Short Term Creditors	<b>25</b>	11,576
2,515	Provision for Business Rate Appeals	<b>26</b>	3,046
629	Deferred Liability	<b>28</b>	655
2,604	Capital Grants Receipts in Advance	<b>16</b>	3,592
<b>15,074</b>	<b>Current Liabilities</b>		<b>18,869</b>
176	Provisions		189
898	Deferred Liability	<b>28</b>	243
64,641	Other Long Term Liabilities	<b>32</b>	81,534
<b>65,715</b>	<b>Long Term Liabilities</b>		<b>81,966</b>
<b>35,376</b>	<b>Net Assets</b>		<b>22,082</b>
19,302	Usable Reserves		17,846
16,074	Unusable Reserves	<b>30</b>	4,236
<b>35,376</b>	<b>Total Reserves</b>		<b>22,082</b>



## CASHFLOW STATEMENT

2015/16 £000		Notes	2016/17 £000
1,350	Net (surplus) or deficit on the provision of services		(675)
(5,378)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	35	(8,170)
6,751	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	36	(19,145)
2,723	<b>Net cash flows from Operating activities</b>		(27,990)
(2,708)	Investing Activities	37	17,855
4,098	Financing Activities	38	2,674
4,113	<b>Net increase or decrease in cash &amp; cash equivalents</b>		(7,461)
(8,263)	Cash & cash equivalents at the beginning of the reporting period		(4,150)
(4,150)	<b>Cash &amp; cash equivalents at the end of the reporting period</b>		(11,611)

# NOTES TO THE ACCOUNTS

## 1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31st March 2016 & 2017

2015/16 (Restated)				2016/17		
Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000	Committee	Net Expenditure Chargeable to the General Fund £000	Adjustments between the Funding and Accounting Basis £000	Net Expenditure in the Comprehensive Income & Expenditure Statement £000
8,462	(1,655)	6,807	Policy & Resources	5,486	1,585	7,071
9,266	578	9,843	Communities, Housing & Environment	8,839	555	9,394
820	4,273	5,094	Heritage, Culture & Leisure	626	4,440	5,066
91	1,708	1,799	Strategic Planning, Sustainability & Transportation	(171)	1,446	1,275
<b>18,638</b>	<b>4,904</b>	<b>23,543</b>	<b>Net Cost Of Services</b>	<b>14,780</b>	<b>8,026</b>	<b>22,806</b>
(22,193)	(0)	(22,193)	Other Income & Expenditure	(13,271)	(10,210)	(23,481)
<b>(3,555)</b>	<b>4,904</b>	<b>1,350</b>	<b>(Surplus) or Deficit</b>	<b>1,508</b>	<b>(2,183)</b>	<b>(675)</b>
		(15,293)	Opening General Fund Balance			(18,851)
		(3,559)	Less/Plus (Surplus) or Deficit on General Fund Balance in Year			1,508
		<b>(18,851)</b>	<b>Closing General Fund Balance at 31st March</b>			<b>(17,343)</b>

## NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

Adjustments between Funding & Accounting Basis 2016/17				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
Heritage, Culture & Leisure			2,519	2,519
Strategic Planning, Sustainability & Transportation			1,566	1,566
Communities, Housing & Environment			(95)	(95)
Policy & Resources	4,473	(2,290)	(3,990)	(1,807)
<b>Net Cost of Services</b>	<b>4,473</b>	<b>(2,290)</b>	<b>0</b>	<b>2,183</b>
Other income and expenditure from the Expenditure & Funding Analysis				0
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>4,473</b>	<b>(2,290)</b>	<b>0</b>	<b>2,183</b>

Adjustments between Funding & Accounting Basis 2015/16				
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	Adjustments for Capital Purposes (Note i)	Net Change for Pensions Adjustments (Note ii)	Other Differences (Note iii)	Total Adjustments
Heritage, Culture & Leisure			2,604	2,604
Strategic Planning, Sustainability & Transportation			1,742	1,742
Communities, Housing & Environment			(102)	(102)
Policy & Resources	(2,150)	(2,758)	(4,244)	(9,152)
<b>Net Cost of Services</b>	<b>(2,150)</b>	<b>(2,758)</b>	<b>0</b>	<b>(4,908)</b>
Other income and expenditure from the Expenditure & Funding Analysis				0
<b>Difference between General Fund surplus or deficit and Comprehensive Income &amp; Expenditure Statement Surplus or Deficit on the Provision of Services</b>	<b>(2,150)</b>	<b>(2,758)</b>	<b>0</b>	<b>(4,908)</b>

### Note i – Adjustments for Capital Purposes

This column adds in depreciation and impairment and revaluation gains and losses in the services line, and for:

- Other operating expenditure – adjusts for capital disposals with a transfer of income on disposals of assets and the amounts written off for those assets.
- Financing and investment income & expenditure – the statutory charges for capital financing and other revenue contributions are deducted from other income and expenditure as these are not chargeable under generally accepted accounting practices.
- Taxation and non-specific grant income and expenditure – capital grants are adjusted for income not chargeable under generally accepted accounting practices. Revenue grants are adjusted from those receivable in the year to those receivable without conditions or for which conditions were satisfied throughout the year. The Taxation and Non-specific Grant Income and Expenditure line is credited with capital grants receivable in the year without conditions or for which conditions were satisfied in the year.

#### **Note ii – Net Charge for Pensions Adjustments**

- Net change for the removal of pension contributions and the addition of IAS 19 Employee Benefits pension related income and expenditure.
- For services this represents the removal of the employer pension contributions made by the Council as allowed by statute and the replacement with current service costs and past service costs.
- For financing and investment income & expenditure the net interest on the defined benefit liability is charged to the Comprehensive Income & Expenditure Statement.

#### **Note iii – Other Differences**

- Other differences between amounts debited/credited to the Comprehensive Income & Expenditure Statement and amounts payable/receivable to be recognised under statute.
- For financing and investment income & expenditure the other differences column represents adjustments to the General Fund for the timing difference for premiums and discounts.
- The charge under taxation and non-specific grant income and expenditure represents the difference between what is chargeable under statutory regulations for Council Tax and NDR that was projected to be received at the start of the year and the income recognised under generally accepted practices under the code. This is a timing difference as any difference will be brought forward in future Surpluses or Deficits on the Collection Fund.

## EXPENDITURE AND INCOME ANALYSED BY NATURE

	2015/16 £000	2016/17 £000
<b>Expenditure</b>		
Employee Benefit Expenses	19,573	19,580
Other Services Expenses	95,353	94,034
Support Service Recharges	21,636	21,484
Depreciation, Amortisation, Impairment	4,129	6,554
Interest Payments	173	151
Precepts & Levies	4,723	1,499
Gain on the Disposal of Assets	(1,227)	(1,210)
<b>Total Expenditure</b>	<b>144,360</b>	<b>142,092</b>
<b>Income</b>		
Fees, Charges & Other Service Income	(17,162)	(18,448)
Interest & Investment Income	(251)	(186)
Income from Council Tax & NDR	(41,973)	(40,259)
Government Grants & Contributions	(53,607)	(53,326)
Internal Recharges	(30,018)	(30,548)
<b>Total Income</b>	<b>(143,010)</b>	<b>(142,767)</b>
<b>Surplus or (Deficit) on the Provision of Services</b>	<b>1,350</b>	<b>(675)</b>

## 2 - ACCOUNTING POLICIES

### a) GENERAL PRINCIPLES

The Statement of Accounts summarises the Council's transactions for the 2016/17 financial year and its position at the year-end of 31st March 2017. The Council is required to prepare an annual Statement of Accounts by the Accounts & Audit Regulations (England) 2015 which require the accounts to be prepared in accordance with proper accounting practices. These practices primarily comprise the Code of Practice on Local Authority Accounting in the UK 2016/17 and the Service Reporting Code of Practice 2016/17, 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;
- Materiality;
- 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
- Primacy of legislative requirements

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

#### **b) ACCRUALS OF INCOME & EXPENDITURE**

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

- Revenue from the sale of goods is recognised when the Council transfers the significant risk and rewards of ownership to the purchaser and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Revenue from the provision of services is recognised when the Council can measure reliably the percentage of completion of the transaction and it is probable that economic benefits or service potential associated with the transaction will flow to the Council.
- Supplies are recorded as expenditure when they are consumed – where there is a gap between the date supplies are received and their consumption; they are carried as inventories on the Balance Sheet.
- Expenses in relation to services received (including services provided by employees) are recorded as expenditure when the services are received rather than when payments are made.
- Interest receivable on investments and payable on borrowings is accounted for respectively as income and expenditure on the basis of the effective interest rate for the relevant financial instrument rather than the cash flows fixed or determined by the contract.
- Where revenue and expenditure have been recognised but cash has not been received or paid, a debtor or creditor for the relevant amount is recorded in the Balance Sheet. Where debts may not be settled, the balance of debtors is written down and a charge made to revenue for the income that might not be collected.

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

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

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

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

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

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

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

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

#### **m) LEASES**

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

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

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

#### **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 2016/17. The total absorption costing principle is used – the full cost of overheads and support services are shared between users in proportion with the benefits used, with the exception of:

- costs relating to the Council's status as a multi-functional democratic organisation.
- the cost of discretionary benefits awarded to employees retiring early and impairment losses on assets held for sale.

These two cost categories are defined in the Service Expenditure Reporting Code of Practice 2016/17 and accounted for within the Policy & Resources committee line on the Comprehensive Income & Expenditure Statement.

#### **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**

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

##### **Measurement**

Assets are initially measured at cost, comprising:

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

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

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

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

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

Assets included in the Balance Sheet at 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.

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

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

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

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.

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.

#### **v) FAIR VALUE MEASUREMENT**

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

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

### **3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES**

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

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

- A comprehensive review of all property leases has been undertaken to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.
- A review of service contracts has been undertaken in accordance with the requirements of IFRIC 4 to determine whether any of the contractual arrangements contain the substance of a finance lease. It was determined that the Park & Ride contract was classified as containing finance leases for the vehicles involved in the delivery of the service, and these have been included with Property, Plant & Equipment on the Balance Sheet.
- A review of the contract for waste collection has determined that the contractual arrangements do not meet the requirements of IFRIC 4.
- It has been determined that an arrangement between the Council and the managing contractor of the Leisure Centre is classified as a service concession arrangement. Under the terms of the arrangement the Council makes regular payments over a 15 year period to cover the costs of major refurbishment works which have been undertaken by the contractor.
- A judgement has been made as to which of the council's assets fall under the category of Heritage Assets, and the appropriate basis for valuation and disclosure. The outcome of this judgement is reflected in the Heritage Assets note.
- A review of operational assets not revalued this year has been undertaken to determine whether or not there could have been a material movement in the asset values. Using guidance from the external valuer, it has been concluded that the assets are materially fairly stated.
- As a wholly owned subsidiary of the council, Maidstone Property Holdings Ltd falls within the group boundary on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.

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

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

The items in the Council's financial statements at 31st March 2017 for which there is a significant risk of material adjustment in the forthcoming year are as follows:

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
<b>Asset valuations &amp; depreciation</b>	<p>Asset valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties.</p> <p>The Council's external valuers provided valuations for the Council's entire investment portfolio and a proportion of its operational portfolio. The remaining balance of operational properties was also reviewed to ensure values were reflective of current appropriate values.</p> <p>Assets are depreciated over useful lives which are based on the level of repairs and maintenance that will be incurred in relation to individual assets. If current spending on repairs and maintenance were to be reduced, this could affect a change to useful lives assigned to the assets.</p>	<p>A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £4.8m.</p> <p>An increase in estimated valuations would result in increases to the Revaluation Reserve and / or reversals of previous negative revaluations to the Comprehensive Income and Expenditure Statement and / or gains being recorded as appropriate in the Comprehensive Income and Expenditure Statement.</p> <p>Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. Furthermore, if the useful life of assets is reduced the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.4m for every year that useful lives had to be reduced.</p>
<b>Pensions Liability</b>	<p>Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets.</p> <p>A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied.</p>	<p>The effect on the net pensions liability of changes in individual assumptions can be measured. For instance, a 0.1% increase in the discount rate assumption would result in a decrease in the pension liability of £3.265m. 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 £7.136m.</p>



Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Arrears	At 31st March 2016 the Council had a balance of sundry debtors for £11.942m. A review of significant balances suggested that a provision of doubtful debts for £3.131m was appropriate. There is uncertainty as to whether or not such an allowance is sufficient.	If collection rates were to deteriorate, a doubling of the amount of the impairment of doubtful debts would require an additional £1.6m to set aside as an allowance.
Non-Domestic Rates Appeals	The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £7.614m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £3.045m 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 yield losses from successful appeals were to increase by 10%, an additional provision of £0.761m would be required overall, and the council's share of the provision would increase by £0.305m.

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

There are no new standards to be adopted in 2017/18 that will impact upon the Statement.

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

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

### General Fund Balance

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

### Capital Receipts Reserve

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

### Capital Grants Unapplied

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

2016/17	Usable Reserves		
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	2,290		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	1,955		
Holiday Pay (transferred to the Accumulated Absences Account)	13		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	6,546		
<b>Total Adjustments to Revenue Resources</b>	<b>10,804</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(1,022)	1,075	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(629)		
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(9,624)		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(11,275)</b>	<b>1,075</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure		(959)	
Application of capital grants to finance capital expenditure	(1,717)		(64)
Cash payments in relation to deferred capital receipts	5		
<b>Total Adjustments to Capital Resources</b>	<b>(1,712)</b>	<b>(959)</b>	<b>(64)</b>
<b>Total Adjustments</b>	<b>(2,183)</b>	<b>116</b>	<b>(64)</b>

2015/16 Comparative Figures	Usable Reserves		
	General Fund balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000
<b>Adjustments to the Revenue Resources</b>			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	2,758		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	3,622		
Holiday Pay (transferred to the Accumulated Absences Account)	(4)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	3,872		
<b>Total Adjustments to Revenue Resources</b>	<b>10,248</b>	<b>0</b>	<b>0</b>
<b>Adjustments between Revenue and Capital Resources</b>			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(852)	853	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(607)		
Capital expenditure finances from revenue balances (transfer to the Capital Adjustment Account)	(2,978)		
<b>Total Adjustments between Revenue and Capital Resources</b>	<b>(4,437)</b>	<b>853</b>	<b>0</b>
<b>Adjustments to Capital Resources</b>			
Use of the Capital Receipts Reserve to finance capital expenditure		(686)	
Application of capital grants to finance capital expenditure	(903)		30
Cash payments in relation to deferred capital receipts			
<b>Total Adjustments to Capital Resources</b>	<b>(903)</b>	<b>(686)</b>	<b>30</b>
<b>Total Adjustments</b>	<b>4,908</b>	<b>167</b>	<b>30</b>

## 7 – EARMARKED RESERVES

Within the General Fund balance of £17.343m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2016 £000	Contributions to/from Balances £000	31st March 2017 £000
New Homes Bonus funding for Capital	11,406	(4,192)	7,214
Local Plan	455	(119)	336
Neighbourhood Planning	64	0	64
Trading Accounts	179	64	243
Business Rates Growth	233	(75)	158
<b>Total Earmarked Reserves</b>	<b>12,337</b>	<b>(4,323)</b>	<b>8,014</b>
Unallocated Balances	6,514	(3,040)	3,474
<b>Total General Fund Balance</b>	<b>18,851</b>	<b>(7,363)</b>	<b>11,488</b>

### Description of Earmarked Reserves:

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

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

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

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

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

## 8 - MATERIAL ITEMS OF INCOME & EXPENSE

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

## 9 - OTHER OPERATING EXPENDITURE

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

	2015/16 £000	2016/17 £000
Parish Council precepts	1,394	1,499
Levies	109	109
(Gains)/losses on the disposal of non-current assets	(848)	(1,022)
	<b>655</b>	<b>586</b>

## 10 - FINANCING AND INVESTMENT INCOME & EXPENDITURE

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

	2015/16 £000	2016/17 £000
Interest payable and similar charges	206	183
Net Interest on the Net Defined Benefit Liability	2,281	2,267
Interest receivable and similar income	(252)	(187)
Income & Expenditure in relation to investment properties and changes in their fair value	(969)	(466)
	<b>1,266</b>	<b>1,797</b>

## 11 - TAXATION & NON-SPECIFIC GRANT INCOMES

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

<b>Credited to Taxation &amp; Non Specific Grant Income</b>	2015/16 £000	2016/17 £000
Council tax income	14,995	15,690
Revenue Support Grant	2,267	844
Income from Retained Business Rates	21,444	23,218
Tariff Payable	(19,492)	(19,654)
Levy Payable	(43)	(117)
Non-ringfenced Government Grants	4,943	5,882
<b>Total</b>	<b>24,114</b>	<b>25,863</b>
<b>Credited to Services</b>		
Housing Benefit Subsidy	47,404	46,900
Non-Domestic Rates - Cost of Collection	206	206
Council Tax Administration	188	164
New Legislation	162	358
Other Grants	182	570
<b>Total</b>	<b>48,142</b>	<b>48,198</b>

## 12 - TRADING OPERATIONS

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

Operation	2015/16	2016/17	
	(Surplus)/ Deficit £000	Income £000	Expenditure £000
Market	111	(321)	366
Parkwood Industrial Estate	(316)	(368)	25
Mote Park Café	86	(290)	440
Commercial Waste	3	(243)	328
Debt Recovery	17	(371)	375
Pay & Display Car Parking	(1,280)	(2,193)	593
On-Street Car Parking	(181)	(754)	556
Direct Services	12	(2,007)	2,014
<b>Net (Surplus)/Deficit</b>	<b>(1,548)</b>	<b>(6,547)</b>	<b>4,697</b>

## 13 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2016/17 totalled £345,934. (£340,867 in 2015/16).

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>

## 14 – OFFICERS REMUNERATION

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

2016/17	Salary (Including Fees £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	118	18	136	17	153
Director of Finance & Business Improvement	81	1	82	11	93
Director of Regeneration & Place	80	1	81	11	92
Interim Director of Mid-Kent Services	75	3	78	10	88

2015/16	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	114	12	126	17	143
Head of Finance & Resources	74	8	82	10	92
Head of Policy & Communications	75	3	78	10	88
Director of Environment & Shared Services	63	2	65	8	73
Director of Regeneration & Communities	34	6	40	5	45

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 Interim Director of Mid-Kent Services is jointly funded with Swale and Tunbridge Wells Borough Councils, each making equal contributions. Therefore Maidstone's share of the salary is one-third of the value above (£29,343).

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

<b>Remuneration Band</b>	<b>2016/17 No.of employees</b>	<b>2015/16 No.of employees</b>
£50,000 - £54,999	5	5
£55,000 - £59,999	6	5
£60,000 - £64,999	2	1
£65,000 - £69,999	0	0
£70,000 - £74,999	2	3
£75,000 - £79,999	2	3
£80,000 - £84,999	1	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:

<b>Exit Package Cost Band (including special payments)</b>	<b>Number of compulsory redundancies</b>		<b>Number of other departures agreed</b>		<b>Total number of exit packages by cost band</b>		<b>Total cost of exit packages in each band</b>	
	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16</b>	<b>2016/17</b>	<b>2015/16 £000</b>	<b>2016/17 £000</b>
£0 - £20,000	0	0	16	9	16	9	88	45
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £60,000	0	0	1	0	1	0	46	0
£60,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	1	0	1	0	98	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
<b>Total</b>	<b>0</b>	<b>0</b>	<b>18</b>	<b>9</b>	<b>18</b>	<b>9</b>	<b>232</b>	<b>45</b>

## 15 - EXTERNAL AUDIT COSTS

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

	2015/16 £000	2016/17 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	51	50
Fees payable for the certification of grant claims and returns during the year	14	14
Non-audit Services	6	13
<b>Total</b>	<b>71</b>	<b>77</b>

## 16 – CAPITAL GRANTS RECEIPTS IN ADVANCE

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

	2015/16 £000	2016/17 £000
<b>Balance at start of year:</b>	2,173	2,604
Grants Received	1,304	2,773
Transfers to/from Grants Unapplied	0	0
Funding used for capital expenditure	(872)	(1,785)
<b>Balance at end of year:</b>	<b>2,604</b>	<b>3,592</b>

## 17 - RELATED PARTIES

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

### Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework within which the Council operates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 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 2016/17 is shown in Note 12.

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



## 18 - PROPERTY, PLANT & EQUIPMENT

### Movements on Balances

	Infrastructure Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movements in 2016/17</b>								
<b>Cost or Valuations</b>								
At 1st April 2016	4,008	44,994	12,967	2,052	4,675	3,142	2,032	<b>73,870</b>
Additions	419	3,701	1,072	177	647	25	3,634	<b>9,675</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	243	0	0	0	0	0	<b>243</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(372)	0	0	0	0	0	<b>(372)</b>
Derecognition of assets	(108)	(26)	(635)	(981)	(535)	0	0	<b>(2,285)</b>
Other movements in cost or valuation	(1)	(73)	0	0	0	0	0	<b>(74)</b>
At 31st March 2017	<b>4,318</b>	<b>48,467</b>	<b>13,404</b>	<b>1,248</b>	<b>4,787</b>	<b>3,167</b>	<b>5,666</b>	<b>81,057</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2016	(2,828)	(3,363)	(5,709)	(1,435)	(2,651)	0	0	<b>(15,986)</b>
Depreciation charge	(216)	(1,883)	(911)	(285)	(355)	0	0	<b>(3,650)</b>
Depreciation written out to the Revaluation Reserve	0	563	0	0	0	0	0	<b>563</b>
Derecognition of assets	108	26	637	932	535	0	0	<b>2,238</b>
At 31st March 2017	<b>(2,936)</b>	<b>(4,657)</b>	<b>(5,983)</b>	<b>(788)</b>	<b>(2,471)</b>	<b>0</b>	<b>0</b>	<b>(16,835)</b>
<b>Net Book Value</b>								
<b>At 31st March 2017</b>	<b>1,382</b>	<b>43,810</b>	<b>7,421</b>	<b>460</b>	<b>2,316</b>	<b>3,167</b>	<b>5,666</b>	<b>64,222</b>
At 31st March 2016	1,182	41,628	7,256	618	2,024	3,142	2,032	<b>57,882</b>

	Infrastructure Assets	Land & Buildings	Plant, Machinery & Equipment	Vehicles	IT & Office Equipment	Community Assets	Assets Under Construction	Total Property, Plant & Equipment
	£000	£000	£000	£000	£000	£000	£000	£000
<b>Movements in 2015/16</b>								
<b>Cost or Valuations</b>								
At 1st April 2015	3,997	44,553	12,156	1,523	4,371	3,092	23	<b>69,715</b>
Additions	16	188	783	29	305	50	2,049	<b>3,420</b>
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	209	0	0	0	0	0	<b>209</b>
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	118	0	0	0	0	0	<b>118</b>
Transfers between categories	0	0	28	0	0	0	(28)	<b>0</b>
Other movements in cost or valuation	(5)	(74)	0	500	0	0	(12)	<b>408</b>
At 31st March 2016	<b>4,008</b>	<b>44,994</b>	<b>12,967</b>	<b>2,052</b>	<b>4,675</b>	<b>3,142</b>	<b>2,032</b>	<b>73,870</b>
<b>Accumulated Depreciation &amp; Impairment</b>								
At 1st April 2015	(2,636)	(2,343)	(4,908)	(1,166)	(2,335)	0	0	<b>(13,389)</b>
Depreciation charge	(202)	(1,736)	(799)	(268)	(319)	0	0	<b>(3,324)</b>
Depreciation written out to the Revaluation Reserve	0	788	0	0	0	0	0	<b>788</b>
Transfers between categories	0	0	(4)	0	4	0	0	<b>0</b>
Other movements in cost or valuation	12	(75)	0	0	0	0	0	<b>(63)</b>
At 31st March 2016	<b>(2,826)</b>	<b>(3,366)</b>	<b>(5,711)</b>	<b>(1,434)</b>	<b>(2,651)</b>	<b>0</b>	<b>0</b>	<b>(15,988)</b>
<b>Net Book Value</b>								
<b>At 31st March 2016</b>	<b>1,182</b>	<b>41,628</b>	<b>7,256</b>	<b>618</b>	<b>2,024</b>	<b>3,142</b>	<b>2,032</b>	<b>57,882</b>
At 31st March 2015	1,360	42,211	7,245	357	2,034	3,092	23	<b>56,326</b>

Additions for 2016/17 include the acquisition of a number of properties, the most significant of which are as follows:

- A 50% share of the former Royal Mail Depot site in Maidstone, the other 50% being purchased by Kent County Council
  - The purchase of Granada House
  - The purchase of a number of smaller properties to use as temporary accommodation for homeless people
- The de-recognition of assets covers the writing out of a number of items, mainly vehicles, that the Council no longer owns.

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

<b>Analysis of Land &amp; Buildings Movements 2016/17</b>															
	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuations</b>															
At 1st April 2016	6,662	1,441	1,748	2,864	1,462	197	8,071	1,050	14,001	583	1,705	0	4,078	1,133	44,995
Additions		64	73						41			3,515	7		3,700
Revaluation increases/(decreases) recognised in the Revaluation Reserve											243				243
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services											(242)	(130)			(372)
Derecognition of Assets											(26)				(26)
Other movements in cost or valuation			(73)												(73)
At 31st March 2017	6,662	1,505	1,748	2,864	1,462	197	8,071	1,050	14,042	583	1,680	3,385	4,085	1,133	48,467
<b>Accumulated Depreciation &amp; Impairment</b>															
At 1st April 2016	11	(68)	(34)	(477)	(292)	(39)	(758)	(64)	(667)	(62)	(591)		(210)	(117)	(3,368)
Depreciation charge		(67)	(22)	(142)	(146)		(379)	(21)	(663)	(63)	(101)	(168)	(70)	(39)	(1,878)
Depreciation written out to the Revaluation Reserve											563				563
Other movements in cost or valuation											26				26
At 31st March 2017	11	(135)	(56)	(619)	(438)	(39)	(1,137)	(85)	(1,330)	(125)	(103)	(168)	(280)	(156)	(4,657)
<b>Net Book Value</b>															
At 31st March 2017	6,673	1,370	1,692	2,245	1,024	158	6,934	965	12,712	458	1,577	3,217	3,805	977	43,810
At 31st March 2016	6,676	1,370	1,714	2,387	1,170	158	7,312	986	13,334	521	1,115	0	3,869	1,015	41,628

<b>Analysis of Land &amp; Buildings Movements 2015/16</b>															
	Car Parks	Cemetery & Crematorium	Depots, Workshops & Toolsheds	Halls	Housing	Land	Leisure Centres & Pools	Markets	Museums & Galleries	Parks & Open Spaces	Public Conveniences	Residential / Commercial	Theatres	Town Hall	Total Land & Buildings
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or Valuations</b>															
At 1st April 2015	6,568	1,570	1,729	2,864	1,461	196	8,070	1,050	13,586	543	1,705	0	4,078	1,133	44,552
Additions	104	23	49					14							190
Revaluation increases/(decreases) recognised in the Revaluation Reserve		(210)							375	40					205
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services															
Other movements in cost or valuation	(6)	78	(29)					(14)	40						118
At 31st March 2016	6,666	1,438	1,749	2,864	1,462	197	8,070	1,050	14,001	583	1,705	0	4,078	1,133	44,994
<b>Accumulated Depreciation &amp; Impairment</b>															
At 1st April 2015	54	(270)	(12)	(316)	(146)	0	(379)	(43)	(513)	(33)	(467)		(140)	(78)	(2,342)
Depreciation charge		(68)	(22)	(162)	(146)		(379)	(21)	(667)	(40)	(123)		(70)	(39)	(1,736)
Depreciation written out to the Revaluation Reserve															
Other movements in cost or valuation	(44)	264	7			(39)			513	11					788
At 31st March 2016	10	(68)	(34)	(477)	(292)	(39)	(758)	(64)	(667)	(62)	(590)	0	(210)	(117)	(3,366)
<b>Net Book Value</b>															
At 31st March 2016	6,676	1,370	1,714	2,387	1,170	158	7,312	986	13,334	521	1,115	0	3,869	1,015	41,628
At 31st March 2015	6,622	1,300	1,717	2,548	0	196	7,691	1,007	13,073	510	1,238	0	3,938	1,055	40,895

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 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 major capital projects as at 31st March 2017.

### 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 2016 in accordance with the requirements of the Code of Practice, and are considered to be materially accurate at the Balance Sheet date.

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

	Infrastructure Assets £000	Community Assets £000	Land & Buildings £000	Plant, Machinery & Equipment £000	Vehicles £000	IT & Office Equipment £000	Assets Under Construction £000	Total £000
Carried at historical cost	4,318	3,167	454	13,404	1,248	4,787	5,666	33,044
Valued at current value as at:								
31st March 2014			25,336					25,336
31st March 2015			15,978					15,978
31st March 2016			1,641					1,641
31st March 2017			5,058					5,058
<b>Total Cost or Valuation</b>	<b>4,318</b>	<b>3,167</b>	<b>48,467</b>	<b>13,404</b>	<b>1,248</b>	<b>4,787</b>	<b>5,666</b>	<b>81,057</b>

## 19 - INVESTMENT PROPERTIES

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

	2015/16 £000	2016/17 £000
Balance at start of the year	15,962	16,310
<b>Additions:</b>		
Additions	2	36
Net gains/losses from fair value adjustments	345	(0)
<b>Balance at end of year</b>	<b>16,310</b>	<b>16,346</b>

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

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

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

## 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 2016	9,090	471	515	308	10,384
Additions					0
<b>31st March 2017</b>	<b>9,090</b>	<b>471</b>	<b>515</b>	<b>308</b>	<b>10,384</b>
1st April 2015	9,090	471	515	308	10,384
Additions					0
<b>31st March 2016</b>	<b>9,090</b>	<b>471</b>	<b>515</b>	<b>308</b>	<b>10,384</b>

### Museum Exhibits

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

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

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

### War Memorials

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

### Statues and Sculptures

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

### Other Items

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

### Listed Buildings and Other Heritage Assets

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

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

## 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 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
<b>Investments</b>				
Loans & receivables	0	0	18,150	15,856
Available-for-sale financial assets	0	0	0	0
	0	0	18,150	15,856
<b>Debtors</b>				
Loans & receivables	24	0	8,525	7,924
<b>Creditors</b>				
Financial liabilities at amortised cost	0	0	6,370	8,551
<b>Other Long Term Liabilities</b>				
Finance Lease Liabilities at amortised cost	898	243	629	655

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 2016 £000	31st March 2017 £000	31st March 2016 £000	31st March 2017 £000
<b>Income:</b>				
Loans & Receivables	0	0	235	179
Available-for-sale Financial Assets	0	0	15	7
Other Interest	0	0	2	1
<b>Total</b>	<b>0</b>	<b>0</b>	<b>252</b>	<b>187</b>

### 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 Director of Finance & Business Improvement and the Finance Manager in Treasury, Insurance & VAT, under policies approved by the Council on 01 March 2016 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 2016/17 Treasury Management Strategy is also shown below.

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

### Treasury Management Strategy 2016/17

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

- Invest up to £8m of core cash for over 1 year if rates were to improve;
- Consider the possibility of using property funds;
- All other investments short term (less than 1 year);
- An authorised limit to borrowing for the year of £20.46m to assist with funding the increased capital programme which has been agreed by Council.

### 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 the Council's Treasury Advisors, Arlingclose, 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.

Arlingclose examine the bail-in risk which determines the level of loss an institution would need to incur before the Council's investments would be affected.

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 2017 investments were held with the following institutions:

	<b>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
AAA rated Institutions	2,640	5,810
AA rated Institutions	3,042	2,046
A rated Institutions	11,000	8,000
BBB+ rated Institutions	2,000	0
Unrated Building Societies	0	0
UK Government	0	0
<b>Total</b>	<b>18,682</b>	<b>15,856</b>

### Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes, 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 £20.46m (£16.46m for capital programme) to fund on-going schemes in the event of projected capital receipts not being realised. This was not needed during the year.

### Refinancing and Maturity Risk

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

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

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

### Market Risk – Interest Rate Risk

As the Council did not find itself needing to borrow funds during 2016/17, except in the short term for cash flow reasons, its only risk is in relation to exposure to interest rate movements in its investments. This exposure is managed by use of Prudential Indicators, which set limits on the proportion of investments held at fixed and variable rates. These indicators are monitored on a daily basis. The main exposure to risk in this area is the use of investment Call Accounts, Enhanced Cash Funds and Money Market Funds which are linked to Base Rate. However the risk is considered to be small as these accounts are generally only used for the short-term investment of funds for cash flow purposes, and funds can be withdrawn on a daily basis. The risk exposure is summarised in

the table below.

	<b>31st March 2016 £000</b>	<b>31st March 2017 £000</b>
Call Accounts/Money Market Funds	2,682	8,856
Receivables	16,000	7,000
<b>Total</b>	<b>18,682</b>	<b>15,856</b>

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

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

### Foreign Exchange Risk

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

## 23 – DEBTORS

### Short Term Debtors

	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Central government bodies	2,038	3,237
Other local authorities	2,208	4,372
Other entities and individuals	12,163	11,943
<b>Total</b>	<b>16,409</b>	<b>19,552</b>

The movement in the balances for Central Government and other local authorities is a reflection of the Council's membership of the Kent Business Rates Pool.

### Provision for Bad Debts

	<b>2015/16 £000</b>	<b>2016/17 £000</b>
Excess Charges Provision	445	605
Sundry Bad Debts Provision	3,029	3,156
<b>Total</b>	<b>3,474</b>	<b>3,761</b>



The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £15.791m. Other entities and individuals within Short Term Debtors are broken down as follows:

	2015/16 £000	2016/17 £000
Council Tax payers	826	881
Business Rate payers	1,300	1,636
Capital debtors	236	605
General debtors	8,290	7,319
Payments in Advance	777	584
Other miscellaneous amounts	734	918
<b>Total</b>	<b>12,163</b>	<b>11,943</b>

## 24 - CASH & CASH EQUIVALENTS

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

	2015/16 £000	2016/17 £000
Cash held by the Council	17	10
Bank current accounts	(549)	(254)
Short-term deposits	4,682	11,855
<b>Total</b>	<b>4,150</b>	<b>11,611</b>

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

## 25 – CREDITORS

### Short Term

	2015/16 £000	2016/17 £000
Central government bodies	941	2,845
Other local authorities	2,919	2,761
Other entities and individuals	5,466	5,970
<b>Total</b>	<b>9,326</b>	<b>11,576</b>

The movement in the balances for Central Government and other local authorities is a reflection of the Council's membership of the Kent Business Rates Pool.

Other entities and individuals are broken down as follows:

	2015/16 £000	2016/17 £000
General creditors	2,335	2,799
Capital creditors	179	141
Council tax payers	187	189
Business Rate payers	411	857
Receipts in advance	975	1,007
Deposits	1,164	936
Retentions	214	41
<b>Total</b>	<b>5,466</b>	<b>5,970</b>

## 26 - PROVISIONS

### Provision for Business Rates Appeals

	2015/16 £000	2016/17 £000
Business Rates Appeals - Current	584	609
Business Rates Appeals - Backdated	1,931	2,326
<b>Total</b>	<b>2,515</b>	<b>2,935</b>

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

## 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.

The assets and liabilities of the Trust as at 31st March 2017 are summarised in the following table. The figures for 2015/16 are the audited figures, which differ from those in the 2015/16 Statement of Accounts, as the audit took place after that was published.

	2015/16 £000	2016/17 £000
<b>Fixed Assets:</b>		
Intangible Assets	38	25
Tangible Assets	2,870	2,870
Investment Property	635	635
Investments	1,134	874
	<b>4,677</b>	<b>4,404</b>
Current Assets	387	190
Current Liabilities	582	78
<b>Total assets less current liabilities</b>	<b>4,480</b>	<b>4,516</b>
<b>Total Charitable Funds</b>	<b>4,480</b>	<b>4,516</b>

Gross expenditure in 2016/17 totalled £573,960 (£926,445 in 2015/16). Gross income in 2016/17 totalled £541,771 (£791,865 in 2015/16). There was significant capital expenditure in 2015/16, which is why the figures have reduced in 2016/17.

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

## 28 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

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

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

The 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 2016/17) 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

	2015/16 £000	2016/17 £000
Balance outstanding at start of year	1,634	1,527
Adjustments	500	
Repayment of principal	(607)	(629)
<b>Balance outstanding at end of year</b>	<b>1,527</b>	<b>898</b>

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

The £0.5m adjustment figure in 2015/16 relates to the value of the buses in the Park & Ride contract, which for the purposes of the accounts is classified as an embedded lease.

## 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 2016 £000	31st March 2017 £000
<b>Balance at 1st April</b>	<b>154</b>	<b>325</b>
Capital Receipts Received	857	1,071
Capital Receipts Applied	(686)	(959)
<b>Balance at 31st March</b>	<b>325</b>	<b>437</b>

## 30 - UNUSABLE RESERVES

	31st March 2016 £000	31st March 2017 £000
Revaluation Reserve	26,223	26,751
Capital Adjustment Account	57,603	64,102
Deferred Capital Receipts Reserve	23	19
Pensions Reserve	(64,641)	(81,534)
Collection Fund Adjustment Account	(2,957)	(4,912)
Accumulated Absences Account	(177)	(190)
<b>Total Unusable Reserves</b>	<b>16,074</b>	<b>4,236</b>

### a) Revaluation Reserve

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

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

The Reserve contains only the revaluation gains accumulated since 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 2016 £000	31st March 2017 £000
<b>Balance at 1st April</b>	<b>25,547</b>	<b>26,223</b>
Upward revaluation of assets	1,052	620
Downward revaluation of assets	(389)	(55)
Additions and Disposals	36	(3)
Difference between fair value depreciation and historical cost depreciation	(23)	(34)
<b>Balance at 31st March</b>	<b>26,223</b>	<b>26,751</b>

### b) Capital Adjustment Account

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

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

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

	31st March 2016 £000	31st March 2017 £000
<b>Balance at 1st April</b>	<b>56,258</b>	<b>57,603</b>
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(3,324)	(3,650)
Amortisation of intangible assets	(195)	(165)
Prior Year Adjustments	(70)	72
Revaluation Gains/Losses on Property, Plant & Equipment	446	(179)
Revenue expenditure funded from capital under statute	(911)	(2,527)
Write-off of non-enhancing capital expenditure	(112)	(83)
	<b>(4,166)</b>	<b>(6,532)</b>
Adjusting amounts written out of the Revaluation Reserve	23	34
<b>Net written out amount of the cost of non-current assets consumed in the year</b>	<b>(4,143)</b>	<b>(6,498)</b>
Capital financing applied in the year:		
Sums set aside for Debt Repayment	607	629
Use of the Capital Receipts Reserve to finance new capital expenditure	686	959
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	872	1,785
Capital expenditure charged against the General Fund balance	2,978	9,624
	<b>5,143</b>	<b>12,997</b>
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	345	(0)
<b>Balance at 31st March</b>	<b>57,603</b>	<b>64,102</b>

### c) Pensions Reserve

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

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

	2015/16 £000	2016/17 £000
Opening balance at 1 April	70,680	64,641
Remeasurements of the net defined liability	(8,797)	14,603
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	6,148	5,691
Employer's pensions contributions	(3,390)	(3,401)
<b>Closing balance at 31 March</b>	<b>64,641</b>	<b>81,534</b>

#### d) Collection Fund Adjustment Account

	31st March 2016 £000	31st March 2017 £000
<b>Balance at 1st April</b>	666	(2,957)
Amount by which council tax and non-domestic rates income credited to the Comprehensive Income & Expenditure Statement is different from council tax and non-domestic rates income calculated for the year in accordance with statutory requirements		
- Council Tax	(130)	(99)
- Non-domestic Rates	(3,493)	(1,856)
<b>Balance at 31st March</b>	<b>(2,957)</b>	<b>(4,912)</b>

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

## 31 - CAPITAL EXPENDITURE & CAPITAL FUNDING

The total amount of capital expenditure incurred in the year is shown in the table below, together with the resources that have been used to finance it.

	2015/16 £000	2016/17 £000
<b>Capital Investment</b>		
Property, Plant & Equipment	3,307	9,533
Investment Properties	1	38
Intangible Assets	206	182
Non-enhancing capital expenditure	112	88
Revenue Expenditure Funded from Capital Under Statute	911	2,527
	<b>4,536</b>	<b>12,368</b>
<b>Sources of Finance</b>		
Capital receipts	686	959
Government grants & other contributions	872	1,785
Direct Revenue Contributions	2,978	9,624
	<b>4,536</b>	<b>12,368</b>

The increase in property, plant and equipment includes the acquisition of a number of properties, the most significant of which are as follows:

- A 50% share of the former Royal Mail Depot site in Maidstone, the other 50% being purchased by Kent County Council
- The purchase of Granada House
- The purchase of a number of smaller properties to use as temporary accommodation for homeless people

## 32 - DEFINED BENEFIT PENSION SCHEMES

### Participation in Pension Schemes

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

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

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

### Transactions Relating to Post-employment Benefits

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



	2015/16 £000	2016/17 £000
<b>Comprehensive Income &amp; Expenditure Statement (CI&amp;ES)</b>		
Cost of Services:		
Service cost comprising:		
- Current service cost	3,593	3,407
- Past service costs including curtailments	274	17
Financing and Investment Income & Expenditure:		
- Net interest expense	2,281	2,267
<b>Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services</b>	<b>6,148</b>	<b>5,691</b>
Other Post Employment Benefit Charged to the CI&ES		
Remeasurement of the net defined benefit liability comprising:		
- Return on plan assets (excluding the amount included in net interest expense)	(1,989)	14,979
- Actuarial gains and losses arising on changes in financial assumptions	10,767	(35,909)
- Actuarial gains and losses arising on changes in demographic assumptions	0	3,244
- Experience gains and losses on defined benefit obligation	19	3,015
- Other actuarial gains and losses	0	68
<b>Total Post Employment Benefit Charged to the CI&amp;ES</b>	<b>14,945</b>	<b>(8,912)</b>
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	6,148	5,691
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,390)	(3,401)

### 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 £16,753 (2015/16 £274,000).

## 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 (2015/16 £nil).

## Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2015/16 £000	2016/17 £000
Present value of funded obligation	149,896	183,756
Fair value of plan assets	87,447	104,482
Contributions by scheme participants	62,449	79,274
Present value of unfunded obligation	2,192	2,260
<b>Net liability arising from defined benefit obligation</b>	<b>64,641</b>	<b>81,534</b>

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

	2015/16 £000	2016/17 £000
Opening fair value of Scheme assets	87,531	87,447
Interest on assets	2,873	3,128
Return on assets less interest	(1,929)	15,035
Actuarial gains/losses	0	68
Administration expenses	(60)	(56)
Contributions by employer including unfunded	3,390	3,401
Contributions paid by scheme participants	785	843
Estimated benefits paid plus unfunded net of transfers in	(5,143)	(5,384)
<b>Closing fair value of Scheme assets</b>	<b>87,447</b>	<b>104,482</b>

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

	2015/16 £000	2016/17 £000
Opening balance at 1 April	158,211	152,088
Current Service cost	3,593	3,407
Interest cost	5,154	5,395
Remeasurement (gains) and losses		
- Change in financial assumptions	(10,767)	35,909
- Experience loss/(gain) on defined benefit	(19)	(3,015)
Changes in demographic assumptions	0	(3,244)
Past service costs, including curtailments	274	17
Estimated benefits paid net of transfers in	(4,961)	(5,211)
Contributions by Scheme participants	785	843
Unfunded pension payments	(182)	(173)
<b>Closing balance at 31 March</b>	<b>152,088</b>	<b>186,016</b>

### Local Government Pension Scheme Assets

	31st March 2016		31st March 2017	
	£000	%	£000	%
Equities	58,315	66.7%	73,738	70.6%
Gilts	775	0.9%	779	0.7%
Other Bonds	9,602	11.0%	10,178	9.7%
Property	12,703	14.5%	13,020	12.5%
Cash	2,252	2.6%	2,669	2.6%
Absolute return fund	3,800	4.3%	4,098	3.9%
<b>Total</b>	<b>87,447</b>	<b>100.0%</b>	<b>104,482</b>	<b>100.0%</b>

### Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

	2015/16	2016/17
<b>Long-term expected rate of return of assets in the scheme</b>		
<b>Mortality Assumptions</b>		
Longevity at 65 for current pensioners		
- Men	22.9	23.0
- Women	25.3	25.0
Longevity at 65 for future pensioners		
- Men	25.2	25.1
- Women	27.7	27.4
<b>Financial Assumptions</b>		
RPI increases	3.2%	3.6%
CPI increases	2.3%	2.7%
Salary increases	4.1%	4.2%
Pension increases	2.3%	2.7%
Discount Rate	3.6%	2.7%

### Sensitivity Analysis

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

<b>Sensitivity Analysis</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	182,751	186,016	189,342
- Projected Service Cost	4,759	4,881	5,006
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	186,480	186,016	186,556
- Projected Service Cost	4,881	4,881	4,881
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	188,875	186,016	183,208
- Projected Service Cost	5,006	4,881	4,759
Adjustment to mortality age rating	+1 Year	None	-1 Year
- Present Value of Total Obligation	193,152	186,016	179,151
- Projected Service Cost	5,037	4,881	4,730

## Scheme History

	2012/13	2013/14	2014/15	2015/16	2016/17
	£000	£000	£000	£000	£000
Present value of assets in the Local Government Pension Scheme	78,152	79,694	87,531	87,447	104,482
Fair value of assets in the Local Government Pension Scheme	127,137	136,170	158,211	152,088	186,016
<b>Surplus/(Deficit) in the scheme</b>	<b>(48,985)</b>	<b>(56,476)</b>	<b>(70,680)</b>	<b>(64,641)</b>	<b>(81,534)</b>

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £81.534m 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 2018 are £3.197m.

## 33 – LEASES

### Finance Leases – Council as Lessee

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

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

	31st March 2016 £000	31st March 2017 £000
Not more than 1 year	944	778
Later than 1 year and not later than 5 years	2,734	2,663
Later than 5 years	1,473	905
	<b>5,151</b>	<b>4,346</b>

## 34 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 31st May 2017. 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 2017 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

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

	2015/16 £000	2016/17 £000
Depreciation	(3,324)	(3,650)
Revaluation Gains & Losses	446	(73)
Amortisation of Intangible Assets	(195)	(165)
Movement in Provisions	(2,336)	127
Movement in Creditors	72	(1,091)
Movement in Debtors	2,416	(724)
Movement in Inventories	(35)	47
Movement in Pension Liabilities	(2,758)	(2,290)
Other Non-Cash items	336	(351)
	<b>(5,378)</b>	<b>(8,170)</b>

### 36 - CASH FLOW STATEMENT – OPERATING ACTIVITIES

	2015/16 £000	2016/17 £000
Interest received	(252)	(187)
Interest paid	205	151
	<b>(47)</b>	<b>(36)</b>

### 37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2015/16 £000	2016/17 £000
Purchase of property, plant & equipment, investment property and intangible assets	3,870	9,544
Purchase of short-term and long-term investments	38,001	12,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,263)	(706)
Proceeds from short-term and long-term investments	(42,012)	0
Other receipts for investing activities (Grants)	(1,304)	(2,983)
<b>Net cash flows from investing activities</b>	<b>(2,708)</b>	<b>17,855</b>

### 38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2015/16 £000	2016/17 £000
Other receipts from financing activities	(12)	0
Repayments of short & long-term borrowing	307	629
Other payments for financing activities	3,803	2,045
<b>Net cash flows from financing activities</b>	<b>4,098</b>	<b>2,674</b>

## COLLECTION FUND STATEMENT & NOTES

2015/16		2016/17	
£000		£000	£000
<b>INCOME</b>			
90,846	Income From Council Tax		95,899
58,608	Income From Business Rates (Note 2)		60,507
<b>149,454</b>	<b>Total Income</b>		<b>156,406</b>
<b>EXPENDITURE</b>			
Precepts and Demands - Council Tax			
63,371	Kent County Council	65,635	
8,555	Kent Police & Crime Commissioner	8,809	
15,126	Maidstone Borough Council	15,413	
4,108	Kent Fire & Rescue Authority	4,168	
			<b>94,025</b>
Shares of Business Rates			
31,171	Central Government	31,342	
5,611	Kent County Council	5,642	
24,937	Maidstone Borough Council	25,073	
623	Kent Fire & Rescue Authority	627	
			<b>62,684</b>
26	Transitional Protection Payments - Business Rates		<b>94</b>
Impairment of Debts - Council Tax			
228	Write offs of uncollectable amounts	138	
238	Additional / (Reduced) Provision For Non Payment	279	
			<b>418</b>
Impairment of Debts/Appeals - Business Rates			
1,255	Write offs of uncollectable amounts	817	
(106)	Additional / (Reduced) Provision For Non Payment	18	
(1,055)	Losses on appeal	(1,274)	
4,671	Additional / (Reduced) Provision For Appeals	2,601	
			<b>2,161</b>
206	Cost of Collection Allowance - Business Rates		<b>206</b>
<b>158,965</b>	<b>Total Expenditure</b>		<b>159,588</b>
(9,511)	Surplus/(Deficit) For Year		(3,182)
3,157	Surplus/(Deficit) Brought Forward From Previous Years		(6,355)
<b>1,764</b>	<b>Surplus/(Deficit) on Council Tax</b>		<b>3,220</b>
<b>(8,119)</b>	<b>Surplus/(Deficit) on Business Rates</b>		<b>(12,757)</b>
<b>(6,355)</b>	<b>Surplus/(Deficit) as at 31st March 2017</b>		<b>(9,537)</b>



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

## Notes to the Collection Fund

### Note 1 – Council Tax

Council Tax income derives from charges raised according to the value of residential properties, which have been classified into 8 valuation bands estimating, for this specific purpose, 1 April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner Kent Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the council tax base which is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 58,525.4 for 2016/17 (56,974.3 for 2015/16) (see table below.) This basic amount of council tax for a Band D property, £1,598.36 for 2016/17, (£1,543.50 for 2015/16) 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)	0.40	5/9	0.2
Band A	2,631.40	6/9	1,754.3
Band B	6,086.40	7/9	4,733.9
Band C	14,419.40	8/9	12,817.3
Band D	15,259.60	9/9	15,259.6
Band E	8,250.90	11/9	10,084.4
Band F	4,833.70	13/9	6,982.0
Band G	3,631.60	15/9	6,052.6
Band H	311.10	18/9	622.2
Other			219.0
			<b>58,525.4</b>

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

The Council collects business rates for its area based on rateable values (as determined by the Valuation Office Agency) and multipliers set by central government. There are two multipliers:

Standard Multiplier 49.7p / £ Rateable Value (49.3p in 2015/16)

Small Business Multiplier 48.4p / £ Rateable Value (48.0p in 2015/16)

The rateable value at 31st March 2017 was £142.528m (£142.241m at 31st March 2016).

For 2016/17, it was calculated that the Council would receive £24.059m in business rates (£23.410m 2015/16).

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

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies. A significant proportion of Maidstone's retained share (£19.654m in 2016/17, £19.41m in 2015/16) is subsequently topsliced and returned to DCLG for redistribution across local government.

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

For 2016/17 Maidstone Borough Council participated in a pooled arrangement with Kent County Council, Kent Fire and Rescue Authority and nine other district councils in order to minimise the levy payment due to central government and thereby maximise retention of locally generated business rates.

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.

## **GLOSSARY OF TERMS**

### **ACCOUNTING POLICIES**

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

### **ACCOUNTS**

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

### **ASSETS HELD FOR SALE**

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

### **BALANCE SHEET**

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

### **BALANCES**

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

### **CAPITAL EXPENDITURE**

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

### **CAPITAL FINANCING**

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

### **CAPITAL RECEIPTS**

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

### **COLLECTION FUND**

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

### **CREDITORS**

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

### **DEBTORS**

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

### **DEPRECIATION**

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

### **GENERAL FUND**

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

### **HERITAGE ASSETS**

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

## **INTANGIBLE ASSETS**

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

## **INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)**

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

## **INVESTMENT PROPERTIES**

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

## **PROPERTY, PLANT & EQUIPMENT**

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

## **REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE**

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

## **REVENUE SUPPORT GRANT**

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

## **REVENUE ACCOUNT**

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

## **SUPPORT SERVICES**

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

## **USABLE CAPITAL RECEIPTS**

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

## **UNUSABLE RESERVES**

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

## **USABLE RESERVES**

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

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

To follow

# **Appendix A**

## **Annual Governance Statement**

**2016/17 – to follow**



## Audit, Governance & Standards Committee

**26<sup>th</sup> June 2016**

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

**Yes**

## Treasury Management Annual Review 2016/17

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Head of Service</b>	Ellie Dunnet, Head of Finance
<b>Lead Officer and Report Author</b>	John Owen, Finance Manager
<b>Classification</b>	Public
<b>Wards affected</b>	All Wards

### This report makes the following recommendations to this Committee:

1. The Audit, Governance and Standards Committee note the review of the financial year 2016/17 in accordance with CIPFA's Code of Practice on Treasury Management.
2. The Audit, Governance and Standards Committee agree that no amendments to the current treasury management procedures are necessary as a result of the review of activities in 2016/17.

### This report relates to the following corporate priorities:

- Securing a successful economy for Maidstone Borough - ensuring the safeguarding of the Council's finances and the liquidity of funds when liabilities become due will enable the Council to provide a successful economy for Maidstone Borough.

### Timetable

<b>Meeting</b>	<b>Date</b>
Audit, Governance and Standards	26 June 2017

# Treasury Management Annual Review 2016/17

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 The Chartered Institute of Public Finance and Accountancy's Treasury Management Code requires that authorities report on the performance of the treasury management function at least twice a year (at mid-year and year-end).
  - 1.2 The Council has delegated the role of considering these reports 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 2016/17 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 Authority has invested substantial sums of money and is therefore exposed to financial risks including the loss of invested funds and the revenue effect of changing interest rates. The successful identification, monitoring and control of risk are therefore central to the Authority's treasury management strategy.
- 2.3 The Authority's Treasury Management Strategy for 2016/17 was approved by full Council on 2<sup>nd</sup> March 2016. The key elements of the Strategy are:
  - Due to the adoption of the amended capital programme by Policy & Resources Committee on 27<sup>th</sup> January 2016, it was believed there would be a prudential borrowing requirement of £11,950,000;
  - Maximum investment limit of £8m with AAA rated institutions/instrument;
  - All other investments short term (less than 1 year) unless an opportunity arises.

### 2.4 Economic Overview of 2016/17

#### 2.4.1 During financial year 2016/17 the following developments took place:

- The UK voted to leave the European Union.
- UK inflation was subdued in the first half of 2016 as a consequence of weak global price pressures. However the sharp fall in the Sterling exchange rate following the referendum had an impact on import prices which, together with rising energy prices, resulted in CPI rising from 0.3% year/year in April 2016 to 2.3% year/year in March 2017.



- Bank Rate was cut to 0.25% in August 2016 and the Bank of England embarked on further gilt and corporate bond purchases as well as providing cheap funding for banks via the Term Funding Scheme to maintain the supply of credit to the economy.
- The economy's growth was fairly buoyant during the year with the GDP growing 0.6% in the second quarter, 0.5% in the third quarter and 0.7% in the fourth quarter of the calendar year of 2016.
- Unemployment had dropped to its lowest level in 11 years in February 2017 to 4.7%.
- Fitch and Standard & Poor's downgraded the UK's sovereign rating to AA after the referendum result due to the negative reaction. None of the banks on the Authority's lending list failed the stress tests conducted by the European Banking Authority in July and by the Bank of England in November, the latter being designed with more challenging stress scenarios.

## 2.5 Investment Activity

- 2.5.1 The CIPFA Code and Guidance on Local Government Investments in England gives priority to security and liquidity and the Authority's aim is to achieve a yield commensurate with these principles. The Council has adhered to these principles during 2016/17.
- 2.5.2 The Authority has held invested funds, representing income received in advance of expenditure plus balances and reserves held. During 2016/17 the Authority's investment balances have ranged between £14.2m and £40.2m. The average investment balance for the year was £29.2m. The Council held investments totalling £15.86m as at 31st March 2017. A full list of these can be found within **Appendix I**.
- 2.5.3 Investment income for the year totalled £186k with the average rate on investments for 2016/17 is 0.58% against the benchmarked rate of 0.54%.
- 2.5.4 All investments during 2016/17 have been short term due to rates not being sufficiently appealing to justify the risk of investing funds for longer periods. Funds have also been kept liquid due to being required to fund the capital programme and daily liabilities of the Council as and when necessary.
- 2.5.5 All investments during the year have been within the agreed limits of the Treasury Management Strategy 2016/17.

## 2.6 Borrowing Activity

- 2.6.1 As at 31<sup>st</sup> March 2017, the Authority did not hold any loans. The Council's only borrowing requirements for 2016/17 have been for short term

purposes where the cheapest options to borrow were sought within the market. Details of these borrowings are as follows:

- Leicester City Council - £2,000,000 2 days @ 0.45% cost of borrowing £49.32.
- Salford City Council - £500,000 4 days @ 0.60% cost of borrowing £32.88.

## 2.7 Prudential and Treasury Indicators

2.7.1 The Local Government Act 2003 requires the Authority to have regard to CIPFA's Prudential Code for Capital Finance in Local Authorities (the Prudential Code) when determining how much money it can afford to borrow. The objectives of the Prudential Code are to ensure, within a clear framework, that the capital investment plans of local authorities are affordable, prudent and sustainable and that treasury management decisions are taken in accordance with good professional practice. To demonstrate that the Authority has fulfilled these objectives, the Prudential Code sets out the indicators that must be set and monitored each year.

2.7.2 The Council has operated within its Prudential and Treasury Indicators set out in the Treasury Management Strategy 2016/17 and in compliance with the Council's Treasury Management Practices. The Prudential and Treasury Indicators can be found in **Appendix II**.

## 2.8 Compliance Report

2.8.1 The Director of Finance & Business Improvement is pleased to report that all treasury management activities undertaken during 2016/17 complied fully with the CIPFA Code of Practice and the Authority's approved 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 2016/17.

3.2 The Audit, Governance and Standards Committee proposes changes to the current procedures as a result of the review of activities in 2016/17.

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## **4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS**

4.1 The Audit, Governance and Standards Committee agrees that no amendments to the current strategy for 2017/18 are necessary as a result of the review of activities in 2016/17 as there is no justification to make any changes.

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## 5. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

5.1 None.

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## 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.

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## 7. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	None	
<b>Risk Management</b>	<p>Risk management is included within the Treasury Management Practices to which the Council adheres. These risks comprise of:</p> <ul style="list-style-type: none"><li>• credit and counterparty risk,</li><li>• liquidity risk,</li><li>• interest rate risk and</li><li>• exchange rate risk, refinancing risk (however, the Council only deals in its home currency sterling).</li><li>• Legal &amp; regulatory risk</li><li>• Fraud, error and corruption</li><li>• Market risk management</li></ul>	Mark Green Director of Finance and Business Improvement
<b>Financial</b>	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.	Mark Green Director of Finance and Business Improvement
<b>Staffing</b>	None	
<b>Legal</b>	The legal implications are	Interim

	detailed within the body of the report which is compliant with statutory and legal regulations such as the CIPFA Code of Practice on Treasury Management in Local Authorities.	Deputy Head of Legal Partnership
<b>Equality Impact Needs Assessment</b>	None	
<b>Environmental/Sustainable Development</b>	None	
<b>Community Safety</b>	None	
<b>Human Rights Act</b>	None	
<b>Procurement</b>	None	
<b>Asset Management</b>	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 as at 31<sup>st</sup> March 2017
- Appendix II: Prudential and Treasury Indicators

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## 9. BACKGROUND PAPERS

None.

## **Maidstone Borough Council Investments as at 31st March 2017**

Counterparty	Type of Investment	Principal £	Start Date	Maturity Date	Rate of Return	Arlingclose Credit Limits	
						Suggested Term	Max Deposit
HANDELSBANKEN	DEPOSIT - FIXED	45,643			0.100%	13 months	£3,000,000
SANTANDER UK PLC	DEPOSIT - FIXED	3,000,000			0.550%	6 months	£3,000,000
STANDARD LIFE LIQUIDITY FUNDS	MONEY MARKET FUND	5,810,000			0.286%	2 Years	£8,000,000
NATIONWIDE BUILDING SOCIETY	DEPOSIT - FIXED	2,000,000	03/10/2016	03/04/2017	0.420%	6 months	£3,000,000
UNITED OVERSEAS BANK LTD	DEPOSIT - FIXED	1,000,000	28/10/2016	28/04/2017	0.460%	6 months	£3,000,000
LLOYDS BANK PLC	DEPOSIT - FIXED	1,000,000	01/09/2016	31/08/2017	1.000%	13 months	£3,000,000
LLOYDS BANK PLC	DEPOSIT - FIXED	2,000,000	12/10/2016	11/10/2017	1.000%	13 months	£3,000,000
COOPERATIEVE RABOBANK	CERTIFICATE OF DEPOSIT	1,000,000	21/10/2016	21/07/2017	0.530%	13 months	£3,000,000

15,855,643
------------

# PRUDENTIAL INDICATORS

## Ratio of Financing Costs to Net Revenue Stream

2015/16 Actual £000	2016/17 Estimate £000	2016/17 Actual £000
-1.3%	-1.1%	-0.9%

2015/16 Actual £000	2016/17 Estimate £000	2016/17 Actual £000
-252.0	-220.0	-187.0

This indicator shows the proportion of the net revenue stream (revenue budget) that is attributable to financing costs of capital expenditure. As borrowing was for short term purposes only, the results show as a negative figure.

## Incremental Impact of Capital Investment Decisions on the Council Tax

	2015/16 Actual £000	2016/17 Estimate £000	2016/17 Actual £000
i) Forecast of total budgetary requirement - no changes to capital programme	10,192	17,633	17,633
ii) Forecast of total budgetary requirement after changes to capital programme	832	15,900	12,367
iii) Additional Council Tax Required in £.p.	-1.19	-0.22	-0.52

Demonstrates the affordability of the capital programme. It also demonstrates the impact of the capital programme upon the Council Tax. Due to Capital slippage, this has given a negative result

## Capital Expenditure

2015/16 Actual £000	2016/17 Estimate £000	2016/17 Actual £000
832	15,900	12,367

This is the actual capital expenditure against the estimate for 2016/17

## Capital Financing Requirement

2015/16 Actual £000	2016/17 Estimate £000	2016/17 Actual £000
---------------------------	-----------------------------	---------------------------

The CFR is 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. A negative figure shows that the current capital

centre improvements. . A negative figure shows that the current capital programme is affordable and there is no borrowing requirement.

-1,461	-10,223	-3,293
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## **Treasury Indicators**

### **Authorised Limit for External Debt**

	2015/16 Actual £,000	2016/17 Estimate £,000	2016/17 Actual £,000
Borrowing	1,500	10,000	2,000
Other Long Term Liabilities	4,782	4,514	4,514
Total	6,282	14,514	6,514

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

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### **Operational Limit for External Debt**

	2015/16 Actual £,000	2016/17 Estimate £,000	2016/17 Actual £,000
Borrowing	1,500	0	2,000
Other Long Term Liabilities	4,782	4,514	4,514
Total	6,282	4,514	6,514

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**

	2015/16 Actual £,000	2016/17 Estimate £,000	2016/17 Actual £,000
Actual Borrowing	0	0	0
Other Long Term Liabilities	4,782	4,514	4,514
Total	4,782	4,514	4,514

Council's debt as at 31st March 2017

# Agenda Item 17

## Audit, Governance & Standards

**26 June 2017**

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

**Yes**

## External Audit Progress Report June 2017

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Director or Head of Service</b>	Mark Green, Director of Finance & Business Improvement
<b>Lead Officer and Report Author</b>	Ellie Dunnet, Head of Finance
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	None

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

1. That the committee notes the external auditor's progress report attached at **Appendix A**.

**This report relates to the following corporate priorities:**

The report is focused on ensuring that the auditor's opinion on the 2016-17 financial statements and value for money conclusion are issued by the statutory deadline of 30 September 2017.

<b>Timetable</b>	
<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	26 June 2017



# External Audit Progress Report June 2017

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 Committee members are invited to consider the report of the external auditor which provides an update on progress with the 2016-17 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 as in previous years. The report attached at **Appendix A** provides an update on progress with the 2016-17 audit and informs committee members of a number of relevant emerging issues and developments.
- 

## 3. AVAILABLE OPTIONS

- 3.1 It is recommended that the committee consider and note this report. The committee could choose not to consider this report, however this option is not recommended since the report is intended to assist the committee in discharging its responsibilities in relation to external audit and governance.
- 

## 4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

- 4.1 It is recommended that the committee notes the report. Given the respective responsibilities of both the external auditor and this committee, a progress report of this nature is judged to be appropriate for consideration by committee members.
- 

## 5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The report is focused on ensuring that the auditor's opinion on the 2016-17 financial statements and value for money conclusion are issued by the	Section 151 Officer & Finance Team

	statutory deadline of 30 September 2017.	
<b>Risk Management</b>	This report supports the committee in the 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.	Section 151 Officer & Finance Team
<b>Financial</b>	There are no direct financial implications arising from the report, although the opinion on the financial statements and value for money conclusion are one mechanism through which the council demonstrates financial accountability.	Section 151 Officer & Finance Team
<b>Staffing</b>	Not applicable	
<b>Legal</b>	Not applicable	
<b>Equality Impact Needs Assessment</b>	Not applicable	
<b>Environmental/Sustainable Development</b>	Not applicable	
<b>Community Safety</b>	Not applicable	
<b>Human Rights Act</b>	Not applicable	
<b>Procurement</b>	Not applicable	
<b>Asset Management</b>	Not applicable	

## 6. REPORT APPENDICES

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

- **Appendix A:** External Audit Progress Report June 2017

## 7. BACKGROUND PAPERS

None

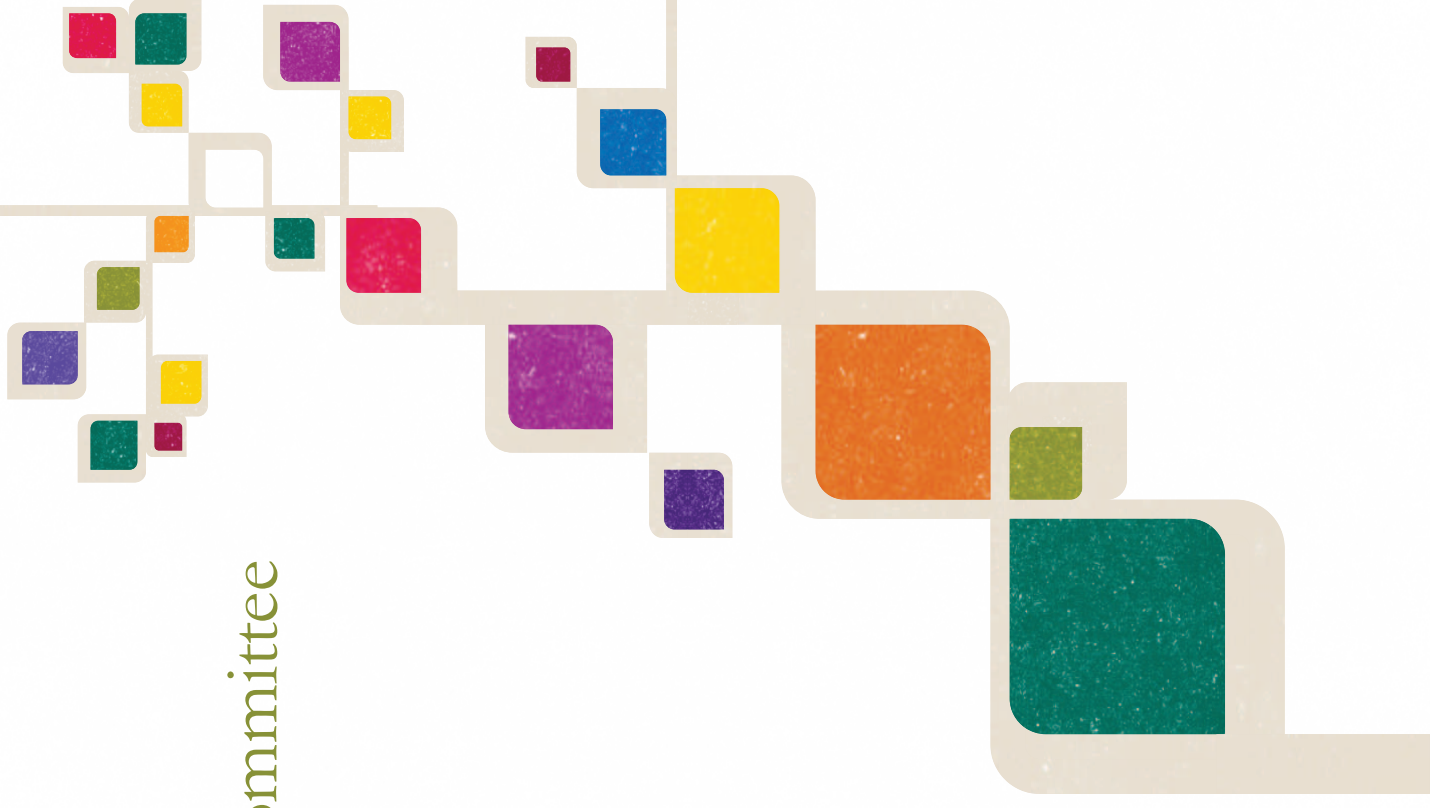
# Audit, Governance and Standards Committee Maidstone Borough Council

## *Progress Report and Update Year ended 31 March 2017*

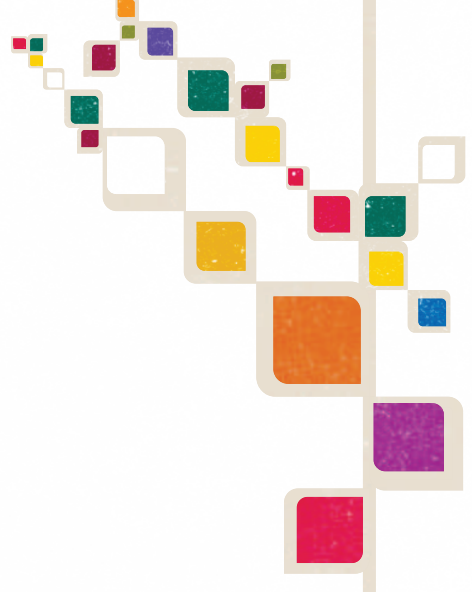
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26 June 2017

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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.



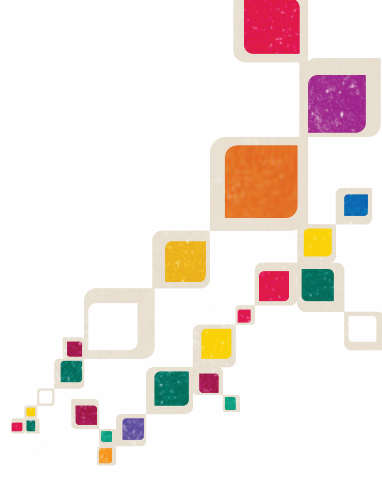
# Introduction

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

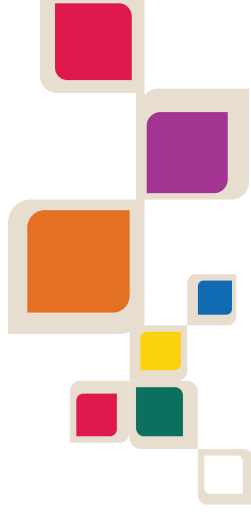
Members of the Audit, Governance and Standards Committee can find further useful material on our website [www.grantthornton.co.uk](http://www.grantthornton.co.uk), where we have a section dedicated to our work in the public sector. Here you can download copies of our publications and articles, including the reports mentioned in this update along with other items:

- Income generation is an increasingly essential part of providing sustainable local services (March 2017); <http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>
- CFO Insights – reviewing council's 2015/16 spend (December 2016); <http://www.grantthornton.co.uk/en/insights/cfo-insights-reviewing-councils-201516-spend/>
- Fraud risk, 'adequate procedures', and local authorities (December 2016); <http://www.grantthornton.co.uk/en/insights/fraud-risk-adequate-procedures-and-local-authorities/>
- Brexit and local government; (April 2017) <http://www.grantthornton.co.uk/en/insights/a-global-britain-needs-more-local-government-not-less/> and (December 2016) <http://www.grantthornton.co.uk/en/insights/brexit-local-government-transitioning-successfully/>

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 your Engagement Lead or Engagement Manager.



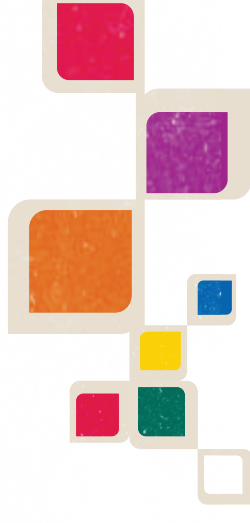
# Progress at June 2017



2016/17 work			
	Planned Date	Complete?	Comments
<b>Fee Letter</b> We are required to issue a 'Planned fee letter for 2016/17' by the end of April 2016	April 2016	Yes	The 2016-17 fee letter was issued during April 2016 and confirmed a fee of £50,475 for the 2016-17 Accounts Audit.
<b>Accounts Audit Plan</b> 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 the Council's 2016-17 financial statements.	March 2017	Yes	The Audit Plan was presented at the Audit, Governance and Standards Committee in March 2017.
<b>Interim accounts audit</b> Our interim fieldwork visit will include the following: <ul style="list-style-type: none"> <li>• updated review of the Council's control environment</li> <li>• updated understanding of financial systems</li> <li>• review of Internal Audit reports on core financial systems</li> <li>• early work on emerging accounting issues</li> <li>• early substantive testing</li> <li>• Value for Money initial risk assessment.</li> </ul>	January 2017	Yes	As documented within the Audit Plan, we have completed a large element of our interim work to date. We also completed some early testing prior to year end to reduce the level of work needed in our final accounts visit, which is covered below.
<b>Final accounts audit</b> Including: <ul style="list-style-type: none"> <li>• audit of the 2016-17 financial statements</li> <li>• proposed opinion on the Council's accounts</li> <li>• proposed Value for Money conclusion</li> <li>• review of the Council's disclosures in the consolidated accounts against the Code of Practice on Local Authority Accounting in the United Kingdom 2016/17</li> </ul>	July 2017	Not yet due	<p>We are planning to complete our audit by the end of July as part of the continued transition to the earlier closedown and audit cycle that is required from 2017/18.</p> <p>To help the Council prepare appropriate evidence to support the financial statements, we have provided a schedule of working papers that we require and are discussing the implications of emerging accounting matters with finance staff in advance of year end.</p> <p>We will report the findings from our work within our Audit Findings Report which will be presented to the Audit, Governance and Standards Committee in September 2017</p>



# Progress at June 2017



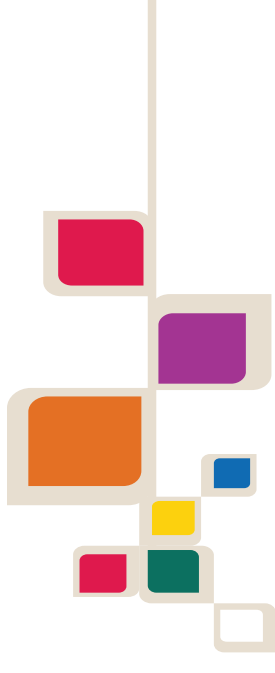
2016/17 work	Planned Date	Complete?	Comments
<p><b>Value for Money (VfM) conclusion</b></p> <p>The Code requires auditors to satisfy themselves that; "the Council has made proper arrangements for securing economy, efficiency and effectiveness in its use of resources".</p> <p>Guidance issued by the National Audit Office confirmed the overall criterion as; "in all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people".</p> <p>The three sub criteria for assessment to be able to give a conclusion overall are:</p> <ul style="list-style-type: none"> <li>• Informed decision making</li> <li>• Sustainable resource deployment</li> <li>• Working with partners and other third parties</li> </ul> <p>Following our initial assessment against these three criteria we will then determine whether there are any Significant Risks present which require further detailed work to be performed. The NAO define a Significant Risk as follows:</p> <p>'A matter is significant if, in the auditor's professional view, it is reasonable to conclude that the matter would be of interest to the audited body or the wider public. Significance has both qualitative and quantitative aspects'</p> <p><b>Other areas of work</b></p> <p>Meetings with Officers and others</p>	January to July 2017	In progress	<p>We have completed our initial Risk Assessment, and have reported the outcome of this in our Audit Plan. We will undertake further work as part of our final accounts visit and report this within our Audit Findings Report which we will issue in September 2017.</p> <p>We will maintain our regular schedule of meetings with key Officers to ensure we are up to speed with key changes impacting on the Council.</p>

# Technical Matters





# LAAP Bulletin 105: Closure of the 2016/17 accounts and related matters



## Accounting and audit issues

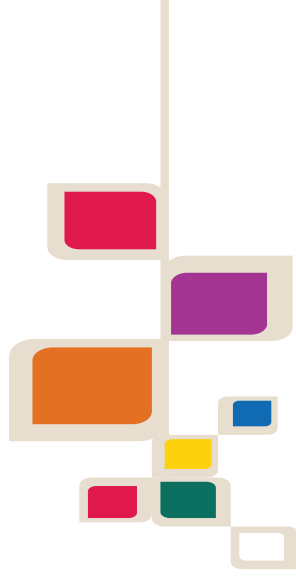
In March, CIPFA's Local Authority Accounting Panel issued LAAP Bulletin 105. The bulletin provides further guidance and clarification to complement CIPFA's 2016/17 Guidance Notes for Practitioners and focuses on those areas that are expected to be significant for most authorities. Topics include:

- Highways Network Asset
- update to the 2016/17 code
- Telling the Story
- accounting standards that have been issued but have not yet been adopted
- summary of other changes to the 2016/17 Code
- statutory guidance on the flexible use of capital receipts
- the Better Care Fund

The LAAP bulletin confirms that section P - Highways Network Asset of Module 4 no longer applies and any reference in the 2016/17 Code Guidance Notes to the Highways Network Asset does not apply. Therefore, highways authorities' accounting policies for the infrastructure class of assets are unchanged from the approach adopted in previous years, i.e. the infrastructure class of assets will be defined as it was in the 2015/16 Code and be measured at depreciated historical cost.

Telling the Story – the 2016/17 Code changed segmental reporting arrangements for the Comprehensive Income and Expenditure Statement (CIES) and introduced the Expenditure and Funding Analysis (EFA). Both the CIES and EFA include a segmental analysis which requires local authorities to report on the basis of how they are structured.

# Code of Practice on Local Authority Accounting in the United Kingdom 2017/18



## Accounting and audit issues

CIPFA/LASAC has issued the Local Authority Accounting Code for 2017/18. The main changes to the Code include:

- amendments to section 2.2 (Business Improvement District Schemes (England, Wales and Scotland), Business Rate Supplements (England), and Community Infrastructure Levy (England and Wales)) for the Community Infrastructure Levy to clarify the treatment of revenue costs and any charges received before the commencement date
- amendment to section 3.1 (Narrative Reporting) to introduce key reporting principles for the Narrative Report
- updates to section 3.4 (Presentation of Financial Statements) to clarify the reporting requirements for accounting policies and going concern reporting
- changes to section 3.5 (Housing Revenue Account) to reflect the Housing Revenue Account (Accounting Practices) Directions 2016 disclosure requirements for English authorities
- following the amendments in the Update to the 2016/17 Code, changes to sections 4.2 (Lease and Lease Type Arrangements), 4.3 (Service Concession Arrangements: Local Authority as Grantor), 7.4 (Financial Instruments – Disclosure and Presentation Requirements) and amendments to section 6.5 (Accounting and Reporting by Pension Funds) to require a new disclosure of investment management transaction costs and clarification on the approach to investment concentration disclosure.



# Sector issues and developments





# National Audit Office

NAO Publications

## Protecting information across government

“Protecting information while re-designing public services and introducing the technology necessary to support them is an increasingly complex challenge. To achieve this, the Cabinet Office, departments and the wider public sector need a new approach, in which the centre of government provides clear principles and guidance and departments increase their capacity to make informed decisions about the risks involved.”

182 Amyas Morse, head of the National Audit Office, 14 September 2016

<https://www.nao.org.uk/report/protecting-information-across-government/>

## Planning for 100% local retention of business rates

“The Department faces a significant challenge in implementing 100% local retention of business rates by 2019-20. It has benefited from the experience of delivering the 50% local retention scheme and is using this experience effectively. The key question is whether there is enough money in the system to let services be delivered on the right scale and for self-sufficiency to be seen to succeed.”

Amyas Morse, head of the National Audit Office, 29 March 2017

<https://www.nao.org.uk/report/planning-for-100-local-retention-of-business-rates/>

## Health and social care integration

“Integrating the health and social care sectors is a significant challenge in normal times, let alone times when both sectors are under such severe pressure. So far, benefits have fallen far short of plans, despite much effort. It will be important to learn from the over-optimism of such plans when implementing the much larger NHS sustainability and transformation plans. The Departments do not yet have the evidence to show that they can deliver their commitment to integrated services by 2020, at the same time as meeting existing pressures on the health and social care systems.”

Amyas Morse, head of the National Audit Office, 8 February 2017

<https://www.nao.org.uk/report/health-and-social-care-integration>



# Grant Thornton





# Income generation

Local government is under immense financial pressure to do more with less. The 2015/16 spending review is forecast to result in a £13 billion funding hole by 2020 that requires. With further funding deficits still looming, income generation is increasingly an essential part of the solution to providing sustainable local services, alongside managing demand and reduction and cost efficiency of service delivery. This report shares the insights into how and why local authorities are reviewing and developing their approach to income generation.

184

Our new research on income generation which includes our CFO Insights tool suggests that:

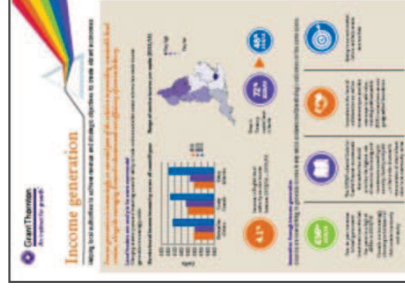
- ❖ councils are increasingly using income generation to diversify their funding base, and are commercialising in a variety of ways. This ranges from fees and charges (household garden waste, car parking, private use of public spaces), asset management (utilities, personnel, advertising, wifi concession license) and company spin-offs (housing, energy, local challenger banks), through to treasury investments (real estate development, solar farms, equity investment).
- ❖ the ideal scenario to commercialise is investing to earn with a financial and social return. Councils are now striving to generate income in way which achieves multiple strategic outcomes for the same spend; examining options to balance budgets while simultaneously boosting growth, supporting vulnerable communities and protecting the environment.

- ❖ stronger commercialisation offers real potential for councils to meet revenue and strategic challenges for 2020 onwards. Whilst there are examples of good practice and innovation, this opportunity is not being fully exploited across the sector due to an absence of a holistic and integrated approach to corporate strategy development (a common vision for success, understanding current performance, selecting appropriate new opportunities, the capacity and culture to deliver change).

Our report helps local authorities maximise their ability to generate income by providing:

- Case study examples
- Local authority spend analysis
- Examples of innovative financial mechanism
- Critical success factors to consider

Grant Thornton publications



Our Income generation report was published on Thursday 2 March, hard copies are available from your engagement team and via the link below:  
<http://www.grantthornton.co.uk/en/insights/the-income-generation-report-local-leaders-are-ready-to-be-more-commercial/>

# A Manifesto for a Vibrant Economy

Grant Thornton publications

## Developing infrastructure to enable local growth

Cities and shire areas need the powers and frameworks to collaborate on strategic issues and be able to raise finance to invest in infrastructure priorities. Devolution needs to continue in England across all places, with governance models not being a “one-size-fits all”. Priorities include broadband, airport capacity in the North and east-west transport links.

Addressing the housing shortage, particularly in London and the Southeast, is a vital part of this. There simply is not enough available land on which to build, and green belt legislation, though designed to allow people living in cities space to breathe, has become restrictive and is in need of modernisation. Without further provision to free up more land to build on, the young people that we need to protect the future of our economy will not be able to afford housing, and council spending on housing the homeless will continue to rise.

Business rates are also ripe for review – a property-based tax is no longer an accurate basis for taxing the activity and value of local business, in particular as this source of funding becomes increasingly important to the provision of local authority services with the phasing out of the Government’s block grant.

Demographic and funding pressures mean that the NHS no longer remains sustainable, and the integration of health and social care – recognised as critical by all key decision makers – remains more aspiration than reality.

There is an opportunity for communities to take a more holistic approach to health, for example creating healthier spaces and workplaces and tackling air quality, and to use technology to provide more accessible, cheaper diagnosis and treatment for many routine issues

**Finding a better way to measure the vibrancy of places**  
When applied to a place we can see that traditional indicators of prosperity such as GVA, do not tell the full story. To address this we have developed a Vibrant Economy Index to measure the current and future vibrancy of places. The Index uses the geography of local authority areas and identifies six broad objectives for society: prosperity, dynamism and opportunity, inclusion and equality, health wellbeing and happiness, resilience and sustainability, and community trust and belonging.

The city of Manchester, for example, is associated with dynamic economic success. While our Index confirms this, it also identifies that the Greater Manchester area overall has exceptionally poor health outcomes, generations of low education attainment and deep-rooted joblessness. These factors threaten future prosperity, as success depends on people’s productive participation in the wider local economy, rather than in concentrated pockets.

Every place has its own challenges and opportunities. Understanding what these are, and the dynamic between them, will help unlock everybody’s ability to thrive. Over the coming months we will continue to develop the Vibrant Economy Index through discussions with businesses, citizens and government at a national and local level.



<http://www.granthornton.co.uk/globalassets/1-member-firms/united-kingdom/pdf/documents/creating-manifesto-vibrant-economy-draft-recommendations.pdf>

**Guy Clifton – Head of Local Government Advisory**

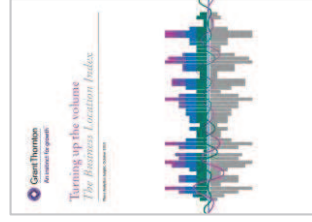
# Publications

Providing key insight and examples of best practice to local government, police, fire and rescue services.



## Innovation in public financial management

Our research on international public financial management shows it is evolving, from having a narrow focus on budgeting, towards a wider mandate as a key driver of policy and strategy across all levels of government, public services, state enterprises and public-private partnerships.



## Turning up the volume

Our Business Location Index identifies the most desirable and affordable areas for investment in England, by looking at a combination of economic performance, people & skills, environment & infrastructure and cost.

Our aim is to give local authorities and LEPs the tool to better understand and market their strength and assets to increase inward investment and inform their devolution discussions.



## Reforging local government

The autumn statement identified how councils will need better financial management and further efficiency to achieve the projected 29% savings. This presents a serious challenge to manage councils that have already become lean.

Our report looks at the financial challenge facing councils, the new governance agenda that will challenge traditional arrangements and expectations, and the way forward for the public sector through devolution, innovation, collaboration and cultural change.



## Making devolution work

This report gets under the bonnet of the devolutionary conversations taking place between Whitehall and local government across England. It offers a practical guide to local leaders by outlining the benefits of devolution, the areas of priority to central government and the key questions that must be addressed in order to produce a successful devolution bid.



## Growing healthy communities

It has long been recognised that the health of a population is strongly linked to the circumstances in which people live.

Our health and wellbeing index looks at the health determinants and outcomes of an area, highlights the scale and nature of inequality across the country and reiterates the need for a local, place-based approach to tackling health outcomes. It also identifies the wider economic determinants on an area's circumstances, emphasising the need for local collaboration between public sector bodies.



## Spreading their wings

Our first report in a series looking at alternative delivery models in local government looks at local authority trading companies (LATCs).

The need to improve performance against the continuing financial pressure in the public sector has led to an increase in innovative solutions to the challenges, such as alternative delivery models.

Our report provides a guide on building a successful LATC, identifying the areas that must be considered at each stage of the process, as well as offering a number of examples of best practice.

Hard copies of these reports are available from your audit team





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[grantthornton.co.uk](http://grantthornton.co.uk)

# Agenda Item 18

## Audit, Governance & Standards

26 June 2017

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

Yes

## External Audit Fee Letter 2017-18

<b>Final Decision-Maker</b>	Audit, Governance & Standards Committee
<b>Lead Director or Head of Service</b>	Mark Green, Director of Finance & Business Improvement
<b>Lead Officer and Report Author</b>	Ellie Dunnet, Head of Finance
<b>Classification</b>	Non-exempt
<b>Wards affected</b>	N/A

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

1. That the committee notes the proposed audit fee of £50,475 for 2017-18 audit work to be undertaken by Grant Thornton.

### This report relates to the following corporate priorities:

The council has a statutory obligation to have its accounts externally audited, and this process underpins the council's ability to demonstrate accountability to taxpayers.

### Timetable

<b>Meeting</b>	<b>Date</b>
Audit, Governance & Standards Committee	26 June 2017

# External Audit Fee Letter 2017-18

## 1. PURPOSE OF REPORT AND EXECUTIVE SUMMARY

- 1.1 This report communicates the proposed external audit fee for 2017-18, as set by the Public Sector Audit Appointments Ltd (PSAA) under transitional arrangements arising from the introduction of the Local Audit and Accountability Act 2014.
- 

## 2. INTRODUCTION AND BACKGROUND

- 2.1 The council's external auditors for 2017-18 are Grant Thornton as in previous years. Following the closure of the Audit Commission, responsibility for overseeing the current audit contract and setting fees has been passed to Public Sector Audit Appointments Ltd.
- 2.2 The letter from Grant Thornton attached at **Appendix A** sets out the details of the 2017-18 fee including the scope and timing of planned audit work for the forthcoming year.

## 3. AVAILABLE OPTIONS

- 3.1 The committee is 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, committee members are asked to note the proposed audit fee for 2017-18.
- 4.2 The main audit fee for the financial statements audit and value for money conclusion for 2017-18 is £50,475. Fees for grant claim certification work have not yet been set.
- 4.3 Scale fees for 2017-18 have been set at the same level as the fees applicable for 2016-17, which were set by the Audit Commission before it closed. Audit fees were reduced in 2015-16 by 25 per cent based on the fees applicable for the previous year, in addition to the 40 per cent reduction in fees from 2012-13.
- 4.4 It should be noted that fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales.
-

## 5. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
<b>Impact on Corporate Priorities</b>	The council has a statutory obligation to have its accounts externally audited, and this process underpins the council's ability to demonstrate accountability to taxpayers.	Section 151 Officer
<b>Risk Management</b>	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
<b>Financial</b>	The proposed 2017-18 audit fee of £50,475 represents no change from the 2016-17 fee.	Section 151 Officer & Finance Team
<b>Staffing</b>	Not applicable	
<b>Legal</b>	Not applicable	
<b>Equality Impact Needs Assessment</b>	Not applicable	
<b>Environmental/Sustainable Development</b>	Not applicable	
<b>Community Safety</b>	Not applicable	
<b>Human Rights Act</b>	Not applicable	
<b>Procurement</b>	Not applicable	
<b>Asset Management</b>	Not applicable	

## 6. REPORT APPENDICES

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

- **Appendix A:** External Audit Fee Letter 2017-18

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## 7. BACKGROUND PAPERS

None



Mark Green  
 Director of Finance and Business Improvement  
 Maidstone Borough Council  
 Maidstone House  
 King Street  
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 Kent  
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25 April 2017

Dear Mark

### **Planned audit fee for 2017/18**

The Local Audit and Accountability Act 2014 provides the framework for local public audit. Under these provisions the Secretary of State for Communities and Local Government delegated some statutory functions from the Audit Commission Act 1998 to Public Sector Audit Appointments Limited (PSAA) on a transitional basis.

PSAA will oversee the Audit Commission's audit contracts for local government bodies until they end in 2018, following the announcement by the Department for Communities and Local Government (DCLG) that it will extend transitional arrangements until 2017/18. PSAA's responsibilities include setting fees, appointing auditors and monitoring the quality of auditors' work. Further information on PSAA and its responsibilities are available on the [PSAA website](#).

From 2018/19 PSAA has been specified by the Secretary of State as an appointing person for principal local government and police bodies, and will make auditor appointments and set fees for bodies that have opted into the national auditor appointment scheme it is developing.

### **Scale fee**

PSAA prescribes that 'scale fees are based on the expectation that audited bodies are able to provide the auditor with complete and materially accurate financial statements, with supporting working papers, within agreed timescales'.

There are no changes to the overall work programme for local government audited bodies for 2017/18, and thus PSAA have therefore set the 2017/18 scale audit fees at the same level as the scale fees applicable for 2016/17. The Council's scale fee for 2017/18 has been set by PSAA at £50,475.

The audit planning process for 2017/18, including the risk assessment, will continue as the year progresses and fees will be reviewed and updated as necessary as our work progresses.

### **Scope of the audit fee**

Under the provisions of the Local Audit and Accountability Act 2014, the National Audit Office (NAO) is responsible for publishing the statutory Code of Audit Practice and guidance for auditors from April 2015. Audits of the accounts for 2017/18 will be undertaken under this Code, on the basis of the [2017/18 work-programme and scales of fees](#) set out on

the PSAA website. Further information on the NAO Code and guidance is available on the [NAO website](#).

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); and
- our work on your whole of government accounts return (if applicable).

PSAA will agree fees for considering objections from the point at which auditors accept an objection as valid, or any special investigations, as a variation to the scale fee.

### **Value for Money conclusion**

The Code requires us to consider whether the Council has put in place proper arrangements for securing economy, efficiency and effectiveness in its use of resources. This is known as the Value for Money (VfM) conclusion.

The NAO issued its guidance for auditors on value for money work in November 2016. The guidance states that for local government bodies, auditors are required to give a conclusion on whether the Council has put proper arrangements in place.

The NAO guidance identifies one single criterion for auditors to evaluate:

*In all significant respects, the audited body had proper arrangements to ensure it took properly informed decisions and deployed resources to achieve planned and sustainable outcomes for taxpayers and local people.*

### **Certification of grant claims and returns**

At the request of the Department for Work and Pensions, auditors appointed by PSAA will continue to certify local authority claims for housing benefit subsidy for 2017/18.

The Council's indicative fee for this certification work has yet to be set by PSAA. We will write to you to confirm the fee when this has been confirmed.

Assurance engagements for other schemes will be subject to separate arrangements and fees agreed between the grant-paying body, the Council and ourselves.

### **Billing schedule**

Fees will be billed as follows:

<b>Main Audit fee</b>	<b>£</b>
September 2017	12,618
December 2017	12,619
March 2018	12,619
June 2018	12,619
<b>Total</b>	<b>50,475</b>
<b>Housing Benefit Certification</b>	
March 2018	TBC

### Outline audit timetable

We will undertake our audit planning and interim audit procedures between November 2017 to March 2018. 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 and work on the VfM conclusion will be completed in July 2018, along with our work on the Whole of Government Accounts return.

Phase of work	Timing	Outputs	Comments
Audit planning and interim audit	November 2017 to March 2018	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 2018	Audit Findings Report (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	November 2017 to July 2018	Audit Findings Report (Report to those charged with governance)	As above
Whole of Government Accounts	July 2018	Opinion on the WGA return	This work will be completed alongside the accounts audit.
Annual Audit Letter	October 2018	Annual Audit Letter to the Council	The letter will summarise the findings of all aspects of our work.
Grant certification	September to December 2018	Grant certification report	A report summarising the findings of our housing benefit certification work

### Our team

The key members of the audit team for 2017/18 are:

	Name	Phone Number	E-mail
Engagement Lead	Darren Wells	01293 554 120	darren.j.wells@uk.gt.com
Engagement Manager	Matt Dean	020 7728 3181	matthew.dean@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, via [paul.dossett@uk.gt.com](mailto:paul.dossett@uk.gt.com).

Yours sincerely



Darren Wells

Engagement Lead

For Grant Thornton UK LLP



## 2017/18 WORK PROGRAMME SORTED BY COMMITTEE

Report Title	Work Stream	Committee	Month	Lead	Report Author
Annual Audit Opinion and Report	Audit	AGS	Jun-17	Rich Clarke	Rich Clarke
Audit, Governance & Standards Committee Annual Report	Audit	AGS	Jun-17	Russell Heppleston	Russell Heppleston
Budget Strategy 2018/19 - Risk Assessment	Corporate Finance and Budgets	AGS	Jun-17	Mark Green	Mark Green
Draft Statement of Accounts 2016/17	Corporate Finance and Budgets	AGS	Jun-17	Mark Green	Ellie Dunnet
External Audit Fee Letter 2017/18	Corporate Finance and Budgets	AGS	Jun-17	Mark Green	Ellie Dunnet
External Audit Update Report July 2017	Corporate Finance and Budgets	AGS	Jun-17	Mark Green	Ellie Dunnet
Contract Monitoring	Updates, Monitoring Reports and Reviews	AGS	Jun-17	Mark Green	Mark Green
Treasury Management Annual Report 2016/17	Corporate Finance and Budgets	AGS	Jun-17	Ellie Dunnet	John Owen
Complaints Received Under the Members Code of Conduct	Standards	AGS	Jun-17	Donna Price	Donna Price
Annual Governance Statement and Local Code of Corporate Governance	Corporate Planning	AGS	Jun-17	Angela Woodhouse	Angela Woodhouse
Audited Statement of Accounts 2016/17	Corporate Finance and Budgets	AGS	Sep-17	Mark Green	Ellie Dunnet
Budget Strategy 2018/19 - Risk Assessment	Corporate Finance and Budgets	AGS	Sep-17	Mark Green	Mark Green
External Auditor's Audit Findings Report 2016/17	Corporate Finance and Budgets	AGS	Sep-17	Mark Green	Ellie Dunnet
Internal Audit Interim Update	Audit	AGS	Nov-17	Rich Clarke	Rich Clarke
External Audit Update Report November 2017	Corporate Finance and Budgets	AGS	Nov-17	Mark Green	Ellie Dunnet
External Auditor's Annual Audit Letter 2016/17	Corporate Finance and Budgets	AGS	Nov-17	Mark Green	Ellie Dunnet
Treasury Management Mid-Year Review 2017/18	Corporate Finance and Budgets	AGS	Nov-17	Ellie Dunnet	John Owen
Annual Governance Statement Update	Corporate Planning	AGS	Nov-17	Angela Woodhouse	Angela Woodhouse
Budget Strategy 2018/19 - Risk Assessment	Corporate Finance and Budgets	AGS	Nov-17	Mark Green	Mark Green
Counter Fraud Standards Update	Updates, Monitoring Reports and Reviews	AGS	Nov-17	Rich Clarke	Rich Clarke
Budget Strategy 2018/19 - Risk Assessment	Corporate Finance and Budgets	AGS	Jan-18	Mark Green	Mark Green
Treasury Management Strategy 2018/19	Corporate Finance and Budgets	AGS	Jan-18	Ellie Dunnet	John Owen
Audit & Assurance Plan	Audit	AGS	Mar-18	Rich Clarke	Rich Clarke
Audit Charter Update	Audit	AGS	Mar-18	Rich Clarke	Rich Clarke
Risk Management Update	Audit	AGS	Mar-18	Russell Heppleston	Russell Heppleston & Alison Blake
External Audit Update Report March 2018	Corporate Finance and Budgets	AGS	Mar-18	Mark Green	Ellie Dunnet
Budget Strategy 2018/19 - Risk Assessment	Corporate Finance and Budgets	AGS	Mar-18	Mark Green	Mark Green
External Auditor's Audit Plan 2017/18	Corporate Finance and Budgets	AGS	Mar-18	Mark Green	Ellie Dunnet
Contract Monitoring	Updates, Monitoring Reports and Reviews	AGS	TBA	Mark Green	Mark Green