STATEMENT OF ACCOUNTS 2018/19

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

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

- Approve the Statement of Accounts.

The Director of Finance & Business Improvement's Responsibilities

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

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

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

The Director of Finance & Business Improvement has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2019.

Signed:

Mark Green, Director of Finance & Business Improvement

Date: 31st July 2019

PRIMARY STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31st March 2018 & 2019

2017/18 (Restated)				2018/19		
Gross Expenditure £000	**Gross Income £000**	**Net Expenditure £000**	**Committee**	**Gross Expenditure £000**	**Gross Income £000**	**Net Expenditure £000**
59,100	(52,702)	6,398	Policy & Resources	62,187	(52,830)	9,357
13,869	(3,966)	9,903	Communities, Housing & Environment	15,817	(4,324)	11,492
9,796	(4,319)	5,477	Heritage, Culture & Leisure	10,096	(4,353)	5,743
8,286	(7,178)	1,108	Strategic Planning, Sustainability & Transportation	6,774	(7,075)	(301)
91,051	**(68,165)**	**22,886**	**Cost Of Services**	**94,874**	**(68,582)**	**26,292**
		936	Other Operating Expenditure (Note 9)	1,927	(698)	1,229
		1,609	Financing and Investment Income and Expenditure (Note 10)	2,040	(1,871)	169
		(25,752)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)		(26,043)	(26,043)
		(321)	**(Surplus) or Deficit on Provision of Services**			**1,647**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		(1,350)	(Surplus) or deficit on revaluation of property, plant & equipment assets			(7,832)
		(7,567)	Remeasurement of the Net Defined Benefit Liability			(9,438)
		(8,917)	**Other Comprehensive Income and Expenditure**			**(17,271)**
		(9,238)	**Total Comprehensive Income and Expenditure**			**(15,624)**

MOVEMENT IN RESERVES STATEMENT

For the years ending 31st March 2018 & 2019

Current Year	**General Fund Balance Unallocated £000**	**Earmarked GF Balances £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves £000**	**Total Reserves £000**
Balance at 1st April 2018	9,627	2,899	523	3	13,052	16,018	29,070
Movement in Reserves during 2018/19							
Total Comprehensive Income and Expenditure	(1,647)	0	0	0	(1,647)	17,271	15,624
Adjustments between accounting basis & funding basis under regulation (Note 6)	2,381	(1,404)	75	0	1,052	(1,052)	0
Movements between Reserves	(1,135)	4,333	0	0	3,198		3,198
Increase or Decrease in 2018/19	**(401)**	**2,929**	**75**	**0**	**2,603**	**16,219**	**18,822**
Balance at 31st March 2019	**9,226**	**5,828**	**598**	**3**	**15,657**	**32,235**	**47,892**

Comparative Year (Restated)	**General Fund Balance £000**	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**	**Total Usable Reserves £000**	**Unusable Reserves (Restated) £000**	**Total Reserves £000**
Balance at 1st April 2017	17,343	437	66	17,846	902	18,748
Movement in Reserves during 2017/18						
Total Comprehensive Income and Expenditure	321	0	0	321	10,001	10,322
Adjustments between accounting basis & funding basis under regulation (Note 6)	(5,138)	86	(63)	(5,115)	5,115	0
Increase or Decrease in 2017/18	**(4,817)**	**86**	**(63)**	**(4,794)**	**15,116**	**10,322**
Balance at 31st March 2018	**12,526**	**523**	**3**	**13,052**	**16,018**	**29,070**

BALANCE SHEET

As at 31st March 2018 & 2019

31st March 2018 (Restated) £000		Notes	31st March 2019 £000
68,835	Property, Plant & Equipment	18	83,038
19,976	Investment Property	19	23,014
10,393	Heritage Assets	20	10,393
477	Intangible Assets		564
0	Long Term Investments	21	2,000
40	Long Term Debtors		84
99,721	**Long Term Assets**		119,093
7,000	Short Term Investments	21	2,000
110	Inventories		98
14,291	Short Term Debtors	23	20,717
10,244	Cash & Cash Equivalents	24	11,184
31,645	**Current Assets**		33,998
14,233	Short Term Creditors	25	23,413
959	Provision for Business Rate Appeals	26	1,179
296	Other Provisions	26	380
521	Deferred Liability	28	521
4,080	Capital Grants Receipts in Advance	16	4,723
20,089	**Current Liabilities**		30,216
1,348	Provision for Business Rate Appeals	26	707
184	Other Provisions		259
3,057	Deferred Liability	28	2,536
77,618	Other Long Term Liabilities	32	71,481
82,207	**Long Term Liabilities**		74,983
29,070	**Net Assets**		**47,892**
13,052	Usable Reserves		15,657
16,018	Unusable Reserves	30	32,235
29,070	**Total Reserves**		**47,892**

CASHFLOW STATEMENT

2017/18 (Restated) £000		Notes	2018/19 £000
(321)	Net (surplus) or deficit on the provision of services		1,647
(8,240)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	36	(12,203)
2,433	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	37	2,179
(6,128)	**Net cash flows from Operating activities**		(8,378)
11,104	Investing Activities	38	5,822
(3,609)	Financing Activities	39	1,616
1,367	**Net increase or decrease in cash & cash equivalents**		(940)
(11,611)	Cash & cash equivalents at the beginning of the reporting period		(10,244)
(10,244)	**Cash & cash equivalents at the end of the reporting period**		**(11,184)**

NOTES TO THE ACCOUNTS

1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31st March 2018 & 2019

2017/18 (Restated)				2018/19		
Net Expenditure Chargeable to the General Fund (Restated) £000	**Adjustments (Restated) £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**	**Committee**	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**
7,415	(1,017)	6,398	Policy & Resources	8,047	1,310	9,357
7,588	2,315	9,903	Communities, Housing & Environment	8,627	2,864	11,491
1,777	3,701	5,477	Heritage, Culture & Leisure	1,951	3,793	5,744
(1,091)	2,199	1,108	Strategic Planning, Sustainability & Transportation	(471)	170	(301)
15,688	**7,198**	**22,886**	**Net Cost Of Services**	**18,154**	**8,137**	**26,292**
7,544	(30,750)	(23,207)	Other Income & Expenditure	2,952	(27,597)	(24,645)
23,232	**(23,552)**	**(321)**	**(Surplus) or Deficit**	**21,107**	**(19,460)**	**1,647**
		17,343	Opening General Fund Balance			12,526
		0	Movements between Reserves			3,198
		(5,138)	Less/Plus (Surplus) or Deficit on General Fund Balance in Year			977
		12,526	**Closing General Fund Balance at 31st March**			**15,054**

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

NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

	Adjustments between Funding & Accounting Basis 2018/19			
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 Adjustments (Note iii)**	**Total Adjustments 2018/19**
Policy & Resources	3,175	3,301	(5,166)	**1,310**
Communities, Housing & Environment	1,522		1,343	**2,864**
Heritage, Culture & Leisure	2,383		1,410	**3,793**
Strategic Planning, Sustainability &	(1,506)		1,676	**170**
Net Cost of Services	**5,574**	**3,301**	**(738)**	**8,137**
Other income and expenditure from the Expenditure & Funding Analysis	(1,124)		(26,473)	**(27,597)**
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**4,450**	**3,301**	**(27,211)**	**(19,460)**

Adjustments between Funding & Accounting Basis 2017/18 (Restated)

Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Restated) (Note i)**	**Net Change for Pensions Adjustments (Restated) (Note ii)**	**Other Differences (Restated) (Note iii)**	**Total Adjustments 2017/18 (Restated)**
Policy & Resources	952	3,651	(5,620)	**(1,017)**
Communities, Housing & Environment	1,098		1,217	**2,315**
Heritage, Culture & Leisure	2,374		1,327	**3,701**
Strategic Planning, Sustainability & Transportation	254		1,945	**2,199**
Net Cost of Services	**4,678**	**3,651**	**(1,131)**	**7,198**
Other income and expenditure from the Expenditure & Funding Analysis	(419)		(30,331)	**(30,750)**
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**4,259**	**3,651**	**(31,462)**	**(23,552)**

The 2017/18 figures have been amended to more accurately reflect the reporting of management accounts figures to Members during the year.

Note i – Adjustments for Capital Purposes

- This column adjusts Policy & Resources Committee for the statutory adjustments put through in respect of depreciation, amortisation of intangible assets, revenue funding from capital under statute, and other capital charges.

Note ii – Net Charge for Pensions Adjustments

- This column adjusts Policy & Resources Committee for the statutory adjustments put through in respect of IAS 19 Employee Benefits pension related income and expenditure.

Note iii – Other Differences

- This column adjusts the service committees for various recharges such as accommodation, telephones, staff recharges and IT recharges as when they are reported they only include direct costs.

EXPENDITURE AND INCOME ANALYSED BY NATURE

	2017/18 (Restated) £000	2018/19 £000
Expenditure		
Employee Benefit Expenses	20,836	22,062
Other Services Expenses	85,904	88,771
Depreciation, Amortisation, Impairment	6,695	7,119
Interest Payments	125	110
Precepts & Levies	1,666	1,811
Gain/(Loss) on the Disposal of Assets	(1,389)	(1,446)
Total Expenditure	**113,837**	**118,426**
Income		
Fees, Charges & Other Service Income	(22,638)	(23,771)
Interest & Investment Income	(120)	(220)
Income from Council Tax & NDR	(38,741)	(42,753)
Government Grants & Contributions	(52,660)	(50,036)
Total Income	**(114,158)**	**(116,780)**
(Surplus) or Deficit on the Provision of Services	**(321)**	**1,647**

The 2017/18 figures have been restated to remove the impact of internal recharges.

2 - ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2018/19 financial year and its position at the year-end of 31st March 2019. 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 2018/19, supported by International Financial Reporting Standards (IFRS).

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

- Going concern
- Primacy of legislative requirements

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

Revenue Recognition

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

- Revenue from contracts with service recipients, whether for services or the provision of goods, is recognised when (or as) the goods or services are transferred to the service recipient in accordance with the performance obligations in the contract.

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

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

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

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

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

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

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

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

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

- Accruals are recognised where the value exceeds £5,000.

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 2018/19. 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 2018/19 and accounted for within the Policy & Resources Committee line on the Comprehensive Income & Expenditure Statement.

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

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

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

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

Value Added Tax

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

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

3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

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

- A comprehensive review of all property leases was undertaken at the end of 2017/18 to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases.

- A review of 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 Limited falls within the group boundary on the grounds of control and significant influence in line with the Code. However the Council's interests in aggregate are not sufficiently material to warrant producing consolidated financial statements when reviewing both quantitative and qualitative information. For this reason, group accounts are not deemed necessary within these statements.

- The Council has determined that it does not need to prepare group accounts to include Cobtree Manor Estate Trust, on the grounds that the Council neither controls, jointly controls, nor has significant influence over the Trust. Councillors who sit on the Cobtree Manor Estate Charity Committee act on behalf of the Trust in their decision making, rather than in the interests of Maidstone Borough Council. The objectives of the Trust derive from a separate trust, the Cobtree Charity Trust, and cannot be influenced by the Council's objectives. The Council does not control the Trust in its capacity as an investor, it is not exposed to variable returns from its involvement with the Trust, and the Trust does not provide any services which the council would otherwise be obliged to provide. The council provides services to the Trust in terms of the day to day administration of its affairs and grounds maintenance of Cobtree Manor Park. The Council recharges the cost of providing these services to Cobtree Manor Park, but does not seek to generate a surplus from the arrangement.

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

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

The items in the Council's financial statements at 31st March 2019 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
Asset valuations & depreciation	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. 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. 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.	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 £6.5m. 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. 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

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
		falls. It is estimated that the annual depreciation charge for buildings would increase by £1.0m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on a number of complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on pension fund assets. A firm of consulting actuaries (Barnett Waddingham) is engaged to provide the Council with expert advice about the assumptions to be applied.	The effect on the net pension 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 £3.260m. 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 £6.676m.
Arrears	At 31st March 2019 the Council had a balance of sundry debtors for £15.904m. A review of significant balances suggested that an impairment allowance for bad debts of £3.630m was appropriate. There is uncertainty as to whether or not such an allowance is sufficient.	If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £1.5m to be 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 £4.715m has therefore been created to recognise current and backdated appeals. The council's share of the provision of £1.886m is reflected on the balance sheet. This is deemed to be appropriate as it	If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.471m would be required overall, and the council's share of the provision would increase by £0.188m.

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	is based on a detailed analysis of information provided by the VOA. There is uncertainty regarding the value of potential losses against the 2017 valuation list. A provision of 2.1p per pound of rateable value is reflected in the above total.	
Brexit	The planned deadline for Britain's exit from the EU has been extended to 31 October 2019. The exact timing and nature of Britain's departure from the EU remain uncertain. Current assumptions underlying asset valuations and pensions liability assume no significant impact from Brexit.	Depending on the circumstances of Britain's departure from the EU, it is possible that asset values may fall and/or that assumptions underlying the assessment of pensions liabilities may alter.

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

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

Accounting Standards that have been issued, but not yet adopted include:

> **Amendments to IAS 40 Investment Property: Transfers of Investment Property** provides further explanation of the instances in which a property can be reclassified as investment property. This will have no impact
>
> **IFRS 16 Leases** will require local authorities that are lessees to recognise most leases on their balance sheets as right-of-use assets with corresponding lease liabilities (there is recognition for low-value and short-term leases). CIPFA/LASAAC have deferred implementation of IFRS16 for local government to 1 April 2020.
>
> **Amendments to IFRS 9 Financial Instruments: Prepayment Features with Negative Compensation** amends IFRS9 to make clear that amortised cost should be used where prepayments are substantially lower than the unpaid principal and interest. The Council has no loans to whom this will apply.

At the present time we are unable to quantify the financial impact of these standards.

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.

2018/19	**Usable Reserves**		
	General Fund balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	(3,301)		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	1,101		
Holiday Pay (transferred to the Accumulated Absences Account)	5		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	(6,522)		
Total Adjustments to Revenue Resources	**(8,716)**	**0**	**0**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	698	0	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	521		
Capital expenditure finance from revenue balances (transfer to the Capital Adjustment Account)	3,749		
Total Adjustments between Revenue and Capital Resources	**4,968**	**0**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		0	
Application of capital grants to finance capital expenditure	1,368		
Total Adjustments to Capital Resources	**1,368**	**0**	**0**
Total Adjustments	**(2,381)**	**0**	**0**

2017/18 Comparative Figures	**Usable Reserves**		
	General Fund balance £000	**Capital Receipts Reserve £000**	**Capital Grants Unapplied £000**
Adjustments to the Revenue Resources			
Amounts by which income and expenditure included in the Comprehensive Income & Expenditure Statement are different from the year calculated in accordance with statutory requirements:			
Pensions Costs (transferred to (or from) the Pensions Reserve)	3,651		
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(2,871)		
Holiday Pay (transferred to the Accumulated Absences Account)	(5)		
Reversal of entries included in the Surplus or Deficit on the Provision of Services in relation to capital expenditure (these items are charged to the Capital Adjustment Account)	7,448		
Total Adjustments to Revenue Resources	**8,223**	**0**	**0**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(892)	897	
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(654)		
Capital expenditure finance from revenue balances (transfer to the Capital Adjustment Account)	(10,274)		
Total Adjustments between Revenue and Capital Resources	**(11,820)**	**897**	**0**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure		(811)	
Application of capital grants to finance capital expenditure	(1,541)		(63)
Total Adjustments to Capital Resources	**(1,541)**	**(811)**	**(63)**
Total Adjustments	**(5,138)**	**86**	**(63)**

Accounting Policy – Charges to Revenue for Non-Current Assets

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

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

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

7 – EARMARKED RESERVES

Within the General Fund balance of £15.054m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

	31st March 2018 (Restated) £000	Contributions to/from Balances £000	31st March 2019 £000
New Homes Bonus funding for Capital	1,404	(1,404)	(0)
Local Plan Review	200		200
Neighbourhood Planning	70	(6)	64
Planning Appeals	0	300	300
Trading Accounts	51	(20)	31
Civil Parking Enforcement	482	(63)	419
Future Capital Expenditure	0	431	431
Housing Prevention & Temporary Accommodation	0	700	700
Business Rates Growth	692	2,990	3,682
Total Earmarked Reserves	**2,899**	**2,928**	**5,828**
Unallocated Balances	9,627	(401)	9,226
Total General Fund Reserves	**12,526**	**2,527**	**15,054**

The figures at 31st March 2018 have been restated to reflect the establishment of the Civil Parking Enforcement Reserve. The balance had previously been held within Unallocated Balances.

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

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

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

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

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

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

Business Rates Growth – these are locally retained rates from the Business Rates Pool and Pilot that the Council has participated in during 2018/19, which will be used to support local initiatives.

Accounting Policy - Reserves

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

The Council has created a series of Earmarked Reserves to manage more effectively the resources set aside for specific activities.

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

8 - MATERIAL ITEMS OF INCOME & EXPENSE

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

9 - OTHER OPERATING EXPENDITURE

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

	2017/18 £000	2018/19 £000
Parish Council precepts	1,666	1,811
Levies	109	116
(Gains)/losses on the disposal of non-current assets	(839)	(698)
	936	**1,229**

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.

	2017/18 £000	2018/19 £000
Interest payable and similar charges	157	105
Net Interest on the Net Defined Benefit Liability	2,157	1,935
Interest receivable and similar income	(121)	(221)
Income & Expenditure in relation to investment properties and changes in their fair value	(584)	(1,649)
	1,609	**169**

11 - TAXATION & NON-SPECIFIC GRANT INCOMES

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

Credited to Taxation & Non Specific Grant Income	**2017/18 £000**	**2018/19 £000**
Council tax income	16,839	17,354
Income from Retained Business Rates	22,386	24,192
Tariff Payable	(18,060)	(18,602)
Levy Payable	(91)	(120)
Non-ringfenced Government Grants	4,678	3,219
Total	**25,752**	**26,043**
Credited to Services		
Housing Benefit Subsidy	45,760	45,834
Non-Domestic Rates - Cost of Collection	204	206
Council Tax Administration	158	152
New Legislation	322	0
Other Grants	1,083	591
Total	**47,527**	**46,784**

In 2018/19 Income from Retained Business Rates has benefited from the Council's participation in the Government's 100% Business Rates Retention Pilot, as explained in note 2 to the Collection Fund Statement.

Accounting Policy – Government Grants & Contributions

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

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

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

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

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

12 - TRADING OPERATIONS

The Council has established a number of 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:

	2017/18		2018/19	
	(Surplus)/ Deficit	Income	Expenditure	(Surplus)/ Deficit
Operation	**£000**	**£000**	**£000**	**£000**
Market	96	(297)	423	126
Parkwood Industrial Estate	(305)	(316)	15	(301)
Mote Park Café	136	(115)	250	135
Commercial Waste	75	(232)	342	110
Debt Recovery	(32)	(907)	1,043	136
Pay & Display Car Parking	(1,731)	(2,477)	(845)	(3,322)
On-Street Car Parking	(168)	(767)	583	(184)
Direct Services	38	(562)	481	(81)
Net (Surplus)/Deficit	**(1,891)**	**(5,673)**	**2,292**	**(3,381)**

13 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2018/19 totalled £355,578. (£348,573 in 2017/18).

The Council also produces a statement, in accordance with provision 1021 – 15(3) of the Local Authorities (Members Allowance) (England) Regulations 2003, giving details of allowances paid to Members for the year. This can be viewed on the Council's website:
http://www.maidstone.gov.uk/home/primary-services/council-and-democracy/additional-areas/budgets-and-spending/tier-3/councillor-allowances#councillor_allowances

14 – OFFICERS REMUNERATION

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

2018/19	**Salary (Including Fees)**	**Other Payments, Allowances & Benefits in Kind**	**Total Remuneration excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
	£000	**£000**	**£000**	**£000**	**£000**
Chief Executive	127	9	136	19	**155**
Director of Finance & Business Improvement	102	1	103	14	**117**
Director of Regeneration & Place	102	2	104	14	**118**
Director of Mid-Kent Services	90	2	92	13	**105**

2017/18	**Salary (including Fees & Allowances)**	**Other Payments, Allowances & Benefits in Kind**	**Total Remuneration excluding Pension Contributions**	**Pension Contributions**	**Total Remuneration including Pension Contributions**
	£000	**£000**	**£000**	**£000**	**£000**
Chief Executive	123	16	139	19	**158**
Director of Finance & Business Improvement	100	1	101	14	**115**
Director of Regeneration & Place	100	2	102	14	**116**
Director of Mid-Kent Services	86	2	88	12	**100**

Senior Officers are defined as those who sit on the Corporate Leadership Team. There are no other officers who report directly to the Chief Executive and receive more than £50,000 remuneration for the year.

The 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 (£34,000).

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

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

Remuneration Band	2017/18 No.of employees	2018/19 No.of employees
£50,000 - £54,999	5	5
£55,000 - £59,999	5	7
£60,000 - £64,999	3	4
£65,000 - £69,999	1	3
£70,000 - £74,999	2	1
£75,000 - £79,999	1	0
£80,000 - £84,999	2	3
£85,000 - £89,999	0	0
£90,000 - £94,999	0	0

Exit Packages

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

Exit Package Cost Band (including special payments)	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band		Total cost of exit packages in each band	
	2017/18	2018/19	2017/18	2018/19	2017/18	2018/19	2017/18 £000	2018/19 £000
£0 - £20,000	0	0	0	0	0	0	0	0
£20,001 - £80,000	0	1	0	2	0	3	0	121
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**0**	**1**	**0**	**2**	**0**	**3**	**0**	**121**

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 UK LLP.

	2017/18 £000	2018/19 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	48	38
Rebate from Public Sector Audit Appointments Ltd.	(8)	0
Fees payable for the certification of grant claims and returns during the year	14	20
Total	**54**	**58**

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:

	2017/18 £000	2018/19 £000
Balance at start of year:	3,592	4,080
Grants Received	2,333	2,010
Transfers to/from Grants Unapplied	(63)	
Other Transfers	(13)	
Funding used for capital expenditure	(1,769)	(1,367)
Balance at end of year:	**4,080**	**4,723**

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 1 – the Expenditure & Funding Analysis.

Members and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2018/19 is shown in Note 13.

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

The Director of Regeneration and Place and Head of Housing and Community Services are both Directors of Maidstone Property Holdings Ltd, which is a wholly owned subsidiary of the Council. The Balance Sheet as at 31st March 2019, reflects £75,313 which is payable from Maidstone Property Holdings to Maidstone Borough Council, relating to income and expenditure for the 2018/19 financial year.

18 - PROPERTY, PLANT & EQUIPMENT

Movements on Balances

Movements in 2018/19	**Infrastructure Assets** £000	**Land & Buildings** £000	**Plant, Machinery & Equipment** £000	**Vehicles** £000	**IT & Office Equipment** £000	**Community Assets** £000	**Assets Under Construction** £000	**Total Property, Plant & Equipment** £000
Cost or Valuations								
At 1st April 2018	4,321	53,253	14,465	1,724	4,802	3,241	4,454	**86,260**
Additions	33	5,287	300	216	69	222	4,091	**10,218**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	9,385	0	0	0	0	0	**9,385**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(89)	0	0	0	0	0	**(89)**
Derecognition of assets	0	(40)	(902)	(359)	(46)	(30)	0	**(1,377)**
Other movements in cost or valuation *	0	(2,714)	36	(36)	0	0	0	**(2,714)**
At 31st March 2019	4,354	65,082	13,899	1,545	4,825	3,433	8,545	**101,683**
Accumulated Depreciation & Impairment								
At 1st April 2018	(3,147)	(3,298)	(6,907)	(1,174)	(2,899)	0	0	**(17,425)**
Depreciation charge	(228)	(3,423)	(868)	(209)	(410)	0	0	**(5,138)**
Depreciation written out to the Revaluation Reserve	0	2,381	0	0	0	0	0	**2,381**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	333	0	0	0	0	0	**333**
Derecognition of assets	0	0	886	277	40	0	0	**1,203**
At 31st March 2019	(3,375)	(4,007)	(6,889)	(1,106)	(3,269)	0	0	(18,646)
Net Book Value								
At 31st March 2019	**979**	**61,075**	**7,010**	**439**	**1,556**	**3,433**	**8,545**	**83,038**
At 31st March 2018	1,174	49,954	7,558	550	1,903	3,241	4,454	**68,835**

***** This represents the reversal of accumulated depreciation written out for assets that have subsequently been revalued during the year

Movements in 2017/18 (Restated)	**Infrastructure Assets £000**	**Land & Buildings £000**	**Plant, Machinery & Equipment £000**	**Vehicles £000**	**IT & Office Equipment £000**	**Community Assets £000**	**Assets Under Construction £000**	**Total Property, Plant & Equipment £000**
Cost or Valuations								
At 1st April 2017	4,318	48,467	13,404	1,248	4,787	3,167	5,666	**81,057**
Additions	7	3,860	1,063	476	18	74	2,023	**7,521**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	2,434	0	0	0	0	0	**2,434**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(396)	0	0	0	0	0	**(396)**
Transfers between categories	0	(57)	0	0	0	0	0	**(57)**
Other movements in cost or valuation	(4)	(1,055)	(2)	0	(3)	0	(3,235)	**(4,299)**
At 31st March 2018	4,321	53,253	14,465	1,724	4,802	3,241	4,454	**86,260**
Accumulated Depreciation & Impairment								
At 1st April 2017	(2,936)	(4,657)	(5,983)	(788)	(2,471)	0	0	**(16,835)**
Depreciation charge	(211)	(2,931)	(924)	(386)	(428)	0	0	**(4,880)**
Depreciation written out to the Revaluation Reserve	0	3,684	0	0	0	0	0	**3,684**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	606	0	0	0	0	0	**606**
Transfers between categories	0	0	0	0	0	0	0	**0**
At 31st March 2018	(3,147)	(3,298)	(6,907)	(1,174)	(2,899)	0	0	**(17,425)**
Net Book Value								
At 31st March 2018	**1,174**	**49,954**	**7,558**	**550**	**1,903**	**3,241**	**4,454**	**68,835**
At 31st March 2017	1,382	43,810	7,421	460	2,316	3,167	5,666	**64,222**

Figures in the Land and Buildings column have been restated to reflect the reversal of accumulated depreciation written out for assets that have subsequently been revalued during the year.

Additions for 2018/19 include the acquisition of a number of properties, the most significant of which are as follows:

- Seventeen houses to be used to accommodate temporarily homeless families.
- The purchase of Lenworth House, to let out the apartments at market rental

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.

Analysis of Land & Buildings Movements 2018/19	**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**
Cost or Valuations															
At 1st April 2018	7,401	1,639	1,833	3,424	5,173	197	8,100	1,050	12,295	643	1,680	4,808	3,960	1,050	**53,253**
Additions	13	557	22	11	4,434	0	0	9	22	0	0	0	212	7	**5,287**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	6,325	0	0	0	0	0	2,307	0	0	319	0	0	434	0	**9,385**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	(89)	0	0	0	0	0	0	0	0	0	**(89)**
Derecognition of Assets	0	(14)	0	0	(12)	0	0	0	(14)	0	0	0	0	0	**(40)**
Other movements in cost or valuation	0	0	0	0	(333)	0	(1,846)	0	0	(214)	0	0	(321)	0	**(2,714)**
At 31st March 2019	13,739	2,182	1,855	3,435	9,173	197	8,561	1,059	12,303	748	1,680	4,808	4,285	1,057	**65,082**
Accumulated Depreciation & Impairment															
At 1st April 2018	12	(202)	15	(65)	(652)	(39)	(1,515)	(10)	(97)	(118)	(203)	(389)	(28)	(8)	**(3,298)**
Depreciation charge	0	(67)	(91)	(361)	(952)	0	(398)	(53)	(583)	(113)	(101)	(489)	(176)	(41)	**(3,423)**
Depreciation written out to the Revaluation Reserve	0	0	0	0	0	0	1,845	0	0	214	0	0	322	0	**2,381**
in the Surplus/Deficit on the Provision of Services	0	0	0	0	333	0	0	0	0	0	0	0	0		**334**
Other movements in cost or valuation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	**0**
At 31st March 2019	12	(269)	(75)	(427)	(1,271)	(39)	(68)	(63)	(679)	(18)	(304)	(878)	118	(49)	**(4,007)**
Net Book Value															
At 31st March 2019	**13,751**	**1,913**	**1,779**	**3,009**	**7,902**	**158**	**8,492**	**996**	**11,623**	**730**	**1,376**	**3,930**	**4,403**	**1,008**	**61,075**
At 31st March 2018	7,413	1,437	1,848	3,359	4,522	158	6,585	1,040	12,198	525	1,477	4,419	3,932	1,042	49,954

Analysis of Land & Buildings Movements 2017/18 (Restated)	**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**
Cost or Valuations															
At 1st April 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**
Additions		133			3,697		29								**3,860**
Revaluation increases/(decreases) recognised in the Revaluation Reserve			247	1,521				128	70	60			302	106	**2,434**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services					(396)										**(396)**
Other movements in cost or valuation	739		(162)	(961)	409			(128)	(1,817)			1,423	(427)	(189)	**(1,112)**
At 31st March 2018	**7,401**	**1,639**	**1,833**	**3,424**	**5,173**	**197**	**8,100**	**1,050**	**12,295**	**643**	**1,680**	**4,808**	**3,960**	**1,050**	**53,253**
Accumulated Depreciation & Impairment															
At 1st April 2017	12	(135)	(56)	(618)	(438)	(39)	(1,136)	(85)	(1,331)	(125)	(102)	(168)	(280)	(156)	**(4,657)**
Depreciation charge		(67)	(91)	(319)	(552)		(379)	(53)	(583)	(83)	(101)	(489)	(176)	(41)	**(2,931)**
Depreciation written out to the Revaluation Reserve			162	871				128	1,817	90			427	189	**3,684**
in the Surplus/Deficit on the Provision of Services					338							268			**606**
Other movements in cost or valuation															**0**
At 31st March 2018	**12**	**(202)**	**15**	**(65)**	**(652)**	**(39)**	**(1,515)**	**(10)**	**(97)**	**(118)**	**(203)**	**(389)**	**(28)**	**(8)**	**(3,298)**
Net Book Value															
At 31st March 2018	**7,413**	**1,437**	**1,848**	**3,359**	**4,522**	**158**	**6,585**	**1,040**	**12,198**	**525**	**1,477**	**4,419**	**3,932**	**1,042**	**49,954**
At 31st March 2017	6,674	1,370	1,692	2,246	1,024	158	6,935	965	12,711	458	1,578	3,217	3,805	977	**43,810**

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

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

Capital Commitments

As at 31st March 2019 the Council had the following capital commitments:

Project	**£000**
Brunswick Street housing development	7,173
Union Street housing development	4,939

Revaluations

The Council carries out a rolling programme that ensures that all Property, Plant & Equipment required to be measured at current value is revalued at least every 5 years. All valuations were carried out externally by Harrisons Chartered Surveyors. Valuations of land and buildings were carried out in accordance with the methodologies and bases for estimation set out in the professional standards of RICS. The latest revaluations were carried out as at 31st January 2019 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	**Community Assets**	**Land & Buildings**	**Plant, Machinery & Equipment**	**Vehicles**	**IT & Office Equipment**	**Assets Under Construction**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Carried at historical cost	4,354	3,433	1,024	13,899	1,545	4,825	8,545	**37,625**
Valued at current value as at:								
31st March 2015			1,573					**1,573**
31st March 2016			1,592					**1,592**
31st March 2017			5,058					**5,058**
31st March 2018			29,650					**29,650**
31st March 2019			26,185					**26,185**
Total Cost or Valuation	**4,354**	**3,433**	**65,082**	**13,899**	**1,545**	**4,825**	**8,545**	**101,683**

Accounting Policy – Property, Plant & Equipment

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

Recognition

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

Measurement

Assets are initially measured at cost, comprising:

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

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

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

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

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

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

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

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

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

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

Impairment

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

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

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

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

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

Depreciation

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

Depreciation is calculated on the following bases:

- Buildings – straight-line allocation over the useful life of the property as estimated by a suitably qualified officer. The useful lives range from 4 to 20 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.

19 - INVESTMENT PROPERTIES

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

	2017/18 £000	2018/19 £000
Balance at start of the year	16,346	19,976
Additions	3,659	2,439
Net gains/losses from fair value adjustments	(29)	599
Balance at end of year	**19,976**	**23,014**

During the year the Council purchased Lenworth House in Maidstone town centre which has been converted into apartments for private rental at market prices.

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

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

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

Accounting Policy – Investment Properties

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

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

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

Accounting Policy – Fair Value Measurement

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

a) in the principal market for the asset or liability, or

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

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

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 2018	9,090	480	515	308	10,393
Additions					0
Disposals					0
31st March 2019	**9,090**	**480**	**515**	**308**	**10,393**
1st April 2017	9,090	480	515	308	10,393
Additions					0
Disposals					0
31st March 2018	**9,090**	**480**	**515**	**308**	**10,393**

Museum Exhibits

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

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

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.

Accounting Policy – Heritage Assets

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

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 2018 £000	**31st March 2019 £000**	**31st March 2018 £000**	**31st March 2019 £000**
Treasury Investments				
Financial Assets at Amortised Cost	0	2,000	0	13,014
Loans & Receiveables	0	0	17,400	0
	0	2,000	17,400	13,014
Non-Treasury Investments				
Service Loans	25	61	0	12
Debtors				
Financial assets at amortised cost	40	84	9,560	12,961
Creditors				
Financial liabilities at amortised cost	0	0	5,578	11,473
Other Long Term Liabilities				
Finance Lease Liabilities at amortised cost	3,057	2,527	521	520

On the face of the Balance Sheet Financial Assets at Amortised Cost are split in Current Assets between Short Term Investments and Cash & Cash Equivalents. £13m short term investments treasury investments are invested in local authorities with a small amount of cash with highly rated banks. Long term investments is another £2m with a local authority. The Non-Treasury Investments consist of two service loans to third parties, Kent Savers £25k and One Maidstone £48k (Business Improvement District Levy). 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.

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

Income & Expense

	Long-term		Short-Term	
	31st March 2018 £000	**31st March 2019 £000**	**31st March 2018 £000**	**31st March 2019 £000**
Income:				
Financial Assets at Amortised Cost	0	19	86	201
Available-for-sale Financial Assets	0	0	34	0
Other Interest	0	0	1	0
Total	**0**	**19**	**122**	**201**

Adoption of IFRS 9

The adoption of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting came into effect for financial year 2018/19. The effects of reclassification of financial assets following the adaptation of IFRS 9 Financial Instruments by the Code of Practice on Local Authority Accounting are shown in the table below:

	Carrying Amount B/fwd as at 1 April 2018 £000	Fair Value Through Profit and Loss £000	Amortised Cost £000	Fair Value through other comprehensive income £000	£000
Treasury Investments	17,400	0	17,400	0	
Net Trade Debtors	9,600	0	9,600	0	
Reclassified amounts as at 1 April 2018		0	27,000	0	
Remeasurements at 1 April 2018		0	27,000	0	
Remeasured carrying amounts at 1 April 2018		0	27,000	0	
Impact on General Fund Balance					0
Impact on Financial Instruments Revaluation Reserve					0

IFRS 9 requires an authority to review its financial assets for impairment due to the risk of non settlement. As stated in the previous section, the Council has two service loans which are classified as solely payments of principal and interest and the business model is to collect contractual cash flows which is classified under the definition of the code paragraph 7.1.5 and are valued at amortised cost. These require assessment to determine the credit risk since initial recognition, however materiality comes into effect as per the Code. These loans being at very low values (£48k and £25k) are below the materiality threshold for the Council, therefore no impairment is required.

Accounting Policy – Financial Instruments

Financial Liabilities:

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

Financial Assets:

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

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

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

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

The Council considers the potential for credit losses on financial assets held at amortised cost either on a 12-month or lifetime basis (Simplified model - Debtors only). An exception is:

- Deposits with local authorities – credit losses are not recognised for deposits held with central Government or other local authorities due to statutory provisions (the Local Government Act 2003), which prevent default.

Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default (triggering a credit loss) on their obligations.

With regard to Debtors, an Impairment Allowance for Bad Debts (IABD) is applied annually based on a set of assumptions on the collectability of external debts based on past experience and future expectations.

Fair Value

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

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

All valuations on Council's investments uses level 2.

The accounts are required to show the fair value of the financial assets held by the Council. Fair value is defined as the amount for which an asset could be exchanged assuming that the transaction was negotiated between parties knowledgeable about the market in which they are dealing and willing to buy/sell at an appropriate price, with no other motive in their negotiations other than to secure a fair price.

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

	31st March 2018		Fair Value	31st March 2019	
	Book Value £000	Fair Value £000	Level	Book Value £000	Fair Value £000
Long Term Investments	0	0	2	2,019	2,018
Short Term Investments (less than 1 yr)	17,430	17,430	2	13,050	13,050
Total	**17,430**	**17,430**		**15,069**	**15,068**

22 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

The council has adopted the Treasury Management in Public Services: Code of Practice 2011 Edition ('the Code') issued by the Chartered Institute of Public Finance and Accountancy (CIPFA). Its 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, under policies approved by the Council on 7 March 2018 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 2018/19 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 2018/19

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

- to utilise cash balances rather than loan debt to finance the capital programme in the short term, due to low investment returns and high counterparty risk in the current economic climate;
- to further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments are considered. Greater use of Local Authority investments will be sought due to the high security of the borrower which enables

investment over a longer period where funds are not required immediately.

Credit Risk

Credit risk arises from deposits with banks and financial institutions, as well as credit exposures to the Council's customers. The Council manages credit risk by ensuring that investments are only placed with organisations of high credit quality as set out in the Treasury Management Strategy. These include commercial entities with a minimum long-term credit rating of A-, the UK government, other local authorities, and organisations without credit ratings upon which the Council has received independent investment advice.

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

As at 31st March 2019 investments were held with the following institutions:

	31st March 2018 £000	31st March 2019 £000
AAA rated Institutions	1,400	0
AA+ rated Institutions	0	0
AA rated Institutions	0	0
AA- rated Institutions	3,000	0
A+ rated Institutions	6,000	0
A rated Institutions	0	14
A- rated Institutions	0	0
BBB+ rated Institutions	0	0
Unrated Local Authorities	7,000	15,000
UK Government	0	0
Total	**17,400**	**15,014**

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 £14m (£10m 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 2018/19, 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 and Money Market Funds which are linked to Base Rate. However, the risk is considered to be small as these accounts are generally only used for the short-term investment of funds for cash flow purposes, and funds can be withdrawn on a daily basis. The risk exposure is summarised in the table below.

	31st March 2018 £000	**31st March 2019 £000**
Notice Accounts/Money Market Funds	10,400	14
Financial Assets at Amortised Cost	7,000	15,000
Total	**17,400**	**15,014**

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

	2017/18 £000	2018/19 £000
Central government bodies	1,106	5,385
Other local authorities	4,159	3,303
Other entities and individuals	12,736	16,293
Total	**18,001**	**24,980**

The movement in the balances for Central Government and other local authorities is a reflection of the Council's membership of the Kent and Medway Business Rates Pilot for 2018/19.

Allowance for Bad Debts

	2017/18 £000	2018/19 £000
Excess Charges Impairment Allowance	625	635
Sundry Bad Debts Impairment Allowance	3,085	3,628
Total	**3,710**	**4,263**

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £20.717m.

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

	2017/18 £000	2018/19 £000
Council Tax payers	948	1,050
Business Rate payers	1,358	1,603
Capital debtors	491	23
General debtors	8,280	11,997
Payments in Advance	696	678
Other miscellaneous amounts	963	941
Total	**12,736**	**16,293**

24 - CASH & CASH EQUIVALENTS

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

	2017/18 £000	2018/19 £000
Cash held by the Council	14	12
Bank current accounts	(170)	157
Short-term deposits	10,400	11,014
Total	**10,244**	**11,184**

Accounting Policy – Cash & Cash Equivalents

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

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

25 – CREDITORS

Short Term

	2017/18 £000	2018/19 £000
Central government bodies	1,593	657
Other local authorities	5,127	8,812
Other entities and individuals	7,513	13,944
Total	**14,233**	**23,413**

The movement in the balance for other local authorities is a reflection of the Council's membership of the Kent and Medway Business Rates Pilot 2018/19.

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

Other entities and individuals are broken down as follows:

	2017/18 £000	2018/19 £000
General creditors	2,322	3,953
Capital creditors	462	1,583
Council tax payers	179	180
Business Rate payers	750	408
Receipts in advance	944	1,716
Deposits	2,785	5,936
Retentions	71	168
Total	**7,513**	**13,944**

Receipts in advance includes a contract liability of £0.341m (2017/18 Nil) in relation to contracts with garden waste collection service recipients. Income from garden waste collection contracts was £0.533m (2017/18 £0.859m)

26 - PROVISIONS

Provision for Appeals

	2017/18 £000	2018/19 £000
Business Rates Appeals - Current	959	1,179
Business Rates Appeals - Backdated	1,348	707
Planning Appeals	296	380
Total	**2,603**	**2,266**

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

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

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

Accounting Policy – Provisions

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

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

When payments are eventually made, they are charged to the provision carried in the Balance Sheet. Estimated settlements are reviewed at the end of each 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.

27 - TRUST FUNDS

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

The assets and liabilities of the Trust as at 31st March 2019 are summarised in the following table. The figures for 2017/18 are the audited figures, which differ from those in the 2017/18 Statement of Accounts, as the audit took place after that was published.

	2017/18 £000	2018/19 £000
Fixed Assets:		
Intangible Assets	13	0
Tangible Assets	2,509	2,675
Investment Property	825	825
Investments	856	863
	4,203	**4,362**
Current Assets	223	122
Current Liabilities	97	289
Total assets less current liabilities	**4,329**	**4,196**
Total Charitable Funds	**4,329**	**4,196**

Gross expenditure in 2018/19 totalled £691,614 (£611,150 in 2017/18). Gross income in 2018/19 totalled £752,564 (£547,797 in 2017/18).

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

28 - PRIVATE FINANCE INITIATIVES & SIMILAR CONTRACTS

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

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

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

Payments

	2017/18 £000	2018/19 £000
Balance outstanding at start of year	4,232	3,578
Repayment of principal	(654)	(521)
Balance outstanding at end of year	**3,578**	**3,057**

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

Accounting Policy – Deferred Liability

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

Accounting Policy – Minimum Revenue Provision

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

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

29 – CAPITAL RECEIPTS RESERVE

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

	31st March 2018 £000	31st March 2019 £000
Balance at 1st April	**437**	**523**
Capital Receipts Received	897	815
Capital Receipts Applied	(811)	(741)
Balance at 31st March	**523**	**598**

30 - UNUSABLE RESERVES

	31st March 2018 (Restated) £000	31st March 2019 £000
Revaluation Reserve	29,120	36,768
Capital Adjustment Account	66,726	68,058
Deferred Capital Receipts Reserve	11	5
Pensions Reserve	(77,618)	(71,481)
Collection Fund Adjustment Account	(2,037)	(935)
Accumulated Absences Account	(184)	(179)
Total Unusable Reserves	**16,018**	**32,235**

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 2018 (Restated) £000	31st March 2019 £000
Balance at 1st April	**26,751**	**29,120**
Upward revaluation of assets	2,622	7,831
Downward revaluation of assets	(188)	
Additions and Disposals	(4)	
Difference between fair value depreciation and historical cost depreciation	(61)	(184)
Balance at 31st March	**29,120**	**36,768**

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 2018 £000	31st March 2019 £000
Balance at 1st April	**60,768**	**66,726**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(4,880)	(5,138)
Amortisation of intangible assets	(114)	(124)
Prior Year Adjustments	(58)	
Revaluation Gains/Losses on Property, Plant & Equipment	0	(115)
Revenue expenditure funded from capital under statute	(1,109)	(3,247)
Write-off of non-enhancing capital expenditure	(195)	(75)
	(6,356)	**(8,699)**
Adjusting amounts written out of the Revaluation Reserve	(935)	1,651
Net written out amount of the cost of non-current assets consumed in the year	**(7,291)**	**(7,048)**
Capital financing applied in the year:		
Sums set aside for Debt Repayment	654	521
Use of the Capital Receipts Reserve to finance new capital expenditure	811	741
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	1,541	1,367
Capital expenditure charged against the General Fund balance	10,272	5,153
	13,278	**7,782**
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	(29)	599
Balance at 31st March	**66,726**	**68,058**

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.

	2017/18 £000	**2018/19 £000**
Opening balance at 1 April	81,534	77,618
Remeasurements of the net defined liability	(7,567)	(9,438)
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	7,013	6,865
Employer's pensions contributions	(3,362)	(3,564)
Closing balance at 31 March	**77,618**	**71,481**

d) Collection Fund Adjustment Account

	31st March 2018 £000	31st March 2019 £000
Balance at 1st April	4,912	2,037
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	(388)	205
- Non-domestic Rates	(2,487)	(1,307)
Balance at 31st March	**2,037**	**935**

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.

	2017/18 £000	2018/19 £000
Opening Capital Finance Requirement	**3,227**	**3,227**
Capital Investment		
Property, Plant & Equipment	7,521	10,165
Investment Properties	3,657	2,443
Intangible Assets	142	217
Non-enhancing capital expenditure	195	76
Revenue Expenditure Funded from Capital Under Statute	1,109	3,247
	12,624	**16,148**
Sources of Finance		
Capital receipts	(811)	(741)
Government grants & other contributions	(1,541)	(1,367)
New Homes Bonus	(9,815)	(4,623)
Other Revenue Contributions	(457)	(530)
	(12,624)	**(7,262)**
Increase in Capital Financing Requirement	0	8,887
Closing Capital Finance Requirement	**3,227**	**12,114**

Where capital expenditure is to be financed in future years by charges to revenue as assets are used by the Council, the expenditure results in in an increase in the Capital Financing Requirement (CFR), a measure of the capital expenditure incurred historically by the Council that has yet to be financed. In this instance the funding will come from internal borrowing using existing cash balances, in accordance with the agreed Treasury Management Strategy for 2018/19.

Accounting Policy – Revenue Expenditure Funded from Capital Under Statute

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

32 - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Kent County Council – this is a funded defined benefit 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:

	2017/18 £000	2018/19 £000
Comprehensive Income & Expenditure Statement (CI&ES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	4,856	4,913
- Past service costs including curtailments	0	17
Financing and Investment Income & Expenditure:		
- Net interest expense	2,157	1,935
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**7,013**	**6,865**
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)	717	5,508
- Actuarial gains and losses arising on changes in financial assumptions	6,850	(6,661)
- Actuarial gains and losses arising on changes in demographic assumptions	0	10,591
-Experience gains and losses on defined benefit obligation	0	0
- Other actuarial gains and losses	0	0
Total Post Employment Benefit Charged to the CI&ES	**14,580**	**16,303**
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	7,013	6,865
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,362)	(3,564)

Curtailments

During the year two former employees became entitled to unreduced early retirement benefits. The capitalised cost of the additional benefits is calculated at £17,000. This figure has been included within the service cost in the statement of profit or loss.

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 (2017/18 £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:

	2017/18 £000	2018/19 £000
Present value of funded obligation	182,032	183,242
Fair value of plan assets	(106,524)	(113,698)
Contributions by scheme participants	**75,508**	**69,544**
Present value of unfunded obligation	2,110	1,937
Net liability arising from defined benefit obligation	**77,618**	**71,481**

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

	2017/18 £000	2018/19 £000
Opening fair value of Scheme assets	104,482	106,524
Interest on assets	2,801	2,703
Return on assets less interest	769	5,561
Administration expenses	(52)	(53)
Contributions by employer including unfunded	3,362	3,547
Contributions paid by scheme participants	829	885
Estimated benefits paid plus unfunded net of transfers in	(5,667)	(5,469)
Closing fair value of Scheme assets	**106,524**	**113,698**

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

	2017/18 £000	2018/19 £000
Opening balance at 1 April	186,016	184,142
Current Service cost	4,856	4,896
Interest cost	4,958	4,638
Remeasurement (gains) and losses		
- Change in financial assumptions	(6,850)	6,661
Changes in demographic assumptions	0	(10,591)
Past service costs, including curtailments	0	17
Estimated benefits paid net of transfers in	(5,498)	(5,314)
Contributions by Scheme participants	829	885
Unfunded pension payments	(169)	(155)
Closing balance at 31 March	**184,142**	**185,179**

Local Government Pension Scheme Assets

	31st March 2018 £000	%	31st March 2019 £000	%
Equities	71,083	67%	77,963	68%
Gilts	815	1%	748	1%
Other Bonds	10,185	10%	10,353	9%
Property	13,394	13%	13,656	12%
Cash	3,530	3%	1,984	2%
Absolute return fund	7,517	7%	8,994	8%
Total	**106,524**	**100%**	**113,698**	**100%**

Basis for Estimating Assets and Liabilities

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

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

The principal assumptions used by the actuary have been:

	2017/18	**2018/19**
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	23.1	22.0
- Women	25.2	24.0
Longevity at 65 for future pensioners		
- Men	25.3	23.7
- Women	27.5	25.8
Financial Assumptions		
RPI increases	3.35%	3.40%
CPI increases	2.35%	2.40%
Salary increases	3.85%	3.90%
Pension increases	2.35%	2.40%
Discount Rate	2.55%	2.40%

The long term assumption made by the actuary is that salaries will increase at 1.5% p.a. above CPI. However, a short-term overlay from 31 March 2016 to 31 March 2020 for salaries to rise in line with CPI has been allowed for, which is broadly in line with the assumptions made by the Council at budget setting stage.

Sensitivity Analysis

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

Sensitivity Analysis	£000	£000	£000
Adjustment to discount rate	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	181,919	185,179	188,500
- Projected Service Cost	4,700	4,821	4,945
Adjustment to long-term salary increase	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	185,518	185,719	184,842
- Projected Service Cost	4,821	4,821	4,821
Adjustment to pension increases and deferred revaluation	+0.1%	0.0%	-0.1%
- Present Value of Total Obligation	188,157	185,179	182,253
- Projected Service Cost	4,945	4,821	4,700
Adjustment to life expectancy assumptions	+1 Year	None	-1 Year
- Present Value of Total Obligation	191,855	185,179	178,735
- Projected Service Cost	4,987	4,821	4,661

Transitional Protections:

There have been wide ranging changes to public sector pension schemes in recent years, including the LGPS. The LGPS was fundamentally reformed in 2013, with the final salary arrangement being replaced by a career average scheme. The changes included some protections for scheme members closer to retirement age. However, the principle of protecting older members – without offering the same protections to younger members – has recently been the subject of legal challenge.

In December 2018, the Court of Appeal ruled that the transitional protections for older members built into the Judges' Pension Scheme when the scheme changed, breached age discrimination rules (there was also a similar case in the Firefighters' Scheme).

Whilst the transitional protections in the LGPS and other public service schemes are slightly different, there is the possibility that they too could be deemed to have breached age discrimination rules, which would mean that all public service schemes would need to be amended and would most likely mean an improvement in benefits.

Barnett Waddingham have estimated the impact of the court of appeal judgement on the disclosures set out in these accounts. The impact is immaterial so no adjustment has been made to the accounts.

Scheme History

	2014/15 £000	2015/16 £000	2016/17 £000	2017/18 £000	2018/19 £000
Present value of defined benefit obligation in the Local Government Pension Scheme	(155,811)	(149,896)	(183,756)	(182,032)	(183,242)
Fair value of assets in the Local Government Pension Scheme	87,531	87,447	104,482	106,524	113,698
Present value of unfunded obligation	(2,400)	(2,192)	(2,260)	(2,110)	(1,937)
Surplus/(Deficit) in the scheme	**(70,680)**	**(64,641)**	**(81,534)**	**(77,618)**	**(71,481)**

The liabilities show the underlying commitments that the Council has in the long run to pay post-employment (retirement) benefits. The total liability of £71.481m 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 2020 are £3.382m.

Accounting Policy – Employee Benefits

Benefits Payable During Employment

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

Post-Employment Benefits

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

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

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

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

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

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

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

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

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2016.

Discretionary Benefits

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

33 – LEASES

Finance Leases – Council as Lessee

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

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

	31st March 2018 £000	31st March 2019 £000
Not more than 1 year	694	642
Later than 1 year and not later than 5 years	2,815	2,527
Later than 5 years	309	0
	3,818	**3,169**

Accounting Policy - Leases

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

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

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

34 – CONTINGENT LIABILITY

Business Rates: Automated Teller Machines (ATMs):

In accordance with Government requirements, external (‘hole in the wall’) ATMs located in supermarkets and shops have been assessed separately for Business Rates purposes since 2013 (with resulting liabilities backdated to 2010). However, in November 2018, the Court of Appeal ruled that ATMs should not be assessed separately for Business Rates, refusing the Valuation Office Agency (VOA) leave to appeal to the Supreme Court.

The verdict means that retailers could potentially be in line for significant Business Rate refunds. But the VOA has subsequently petitioned the Supreme Court for leave to appeal the Court of Appeal’s decision and the Supreme Court are not expected to deliver their verdict until circa 2021.

Given the ongoing uncertainty in this case, it would not be appropriate to make financial provision for potential future ATM refunds at this stage. The financial risk – including back-dated refunds – to Maidstone Borough Council is £477,085 as at 31st March 2019.

The Council continues to closely monitor the ATM legal dispute, keeping its current accounting treatment under review.

Accounting Policy – Contingent Liabilities

A Contingent Liability is a possible liability that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Council

35 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 31st May 2019. 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 2019 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy – Events after the Balance Sheet Date

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

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

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

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

	2017/18 £000	**2018/19 £000**
Depreciation	(4,881)	(5,138)
Revaluation Gains & Losses	(396)	1,354
Amortisation of Intangible Assets	(114)	(124)
Movement in Creditors	(862)	(7,903)
Movement in Debtors	1,240	5,253
Movement in Inventories	10	(12)
Movement in Pension Liabilities	(3,651)	(3,301)
Other Non-Cash items	414	(2,333)
	(8,240)	**(12,203)**

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

	2017/18 £000	**2018/19 £000**
Capital Grants credited to surplus or deficit on the provision of services	1,541	1,367
Proceeds from sale of Property, Plant & Equipment	892	812
	2,433	**2,179**

38 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2017/18 £000	2018/19 £000
Purchase of property, plant & equipment, investment property and intangible assets	11,346	12,068
Purchase of short-term and long-term investments	11,000	3,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(896)	(816)
Proceeds from short-term and long-term investments	(8,000)	(6,000)
Other payments for investing activities	25	48
Other receipts for investing activities (Grants)	(2,371)	(2,478)
Net cash flows from investing activities	**11,104**	**5,822**

39 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2017/18 £000	2018/19 £000
Repayments of short & long-term borrowing	655	521
Other payments for financing activities	(4,264)	1,095
Net cash flows from financing activities	**(3,609)**	**1,616**

COLLECTION FUND STATEMENT & NOTES

2017/18 £000		2018/19 £000
	INCOME	
102,372	Income From Council Tax	109,505
56,877	Income From Business Rates (Note 2)	61,636
	Transfers from General Fund	
159,249	**Total Income**	**171,141**
	EXPENDITURE	
	Precepts and Demands - Council Tax	
70,477	Kent County Council	76,387
9,396	Kent Police & Crime Commissioner	10,436
16,361	Maidstone Borough Council	17,447
4,386	Kent Fire & Rescue Authority	4,661
	Shares of Business Rates	
24,756	Central Government	
4,466	Kent County Council	33,407
19,943	Maidstone Borough Council	22,649
496	Kent Fire & Rescue Authority	566
2,356	Transitional Protection Payments - Business Rates	**1,508**
	Disregarded Amounts (Renewable Energy) - Business Rates	**33**
	Impairment of Debts - Council Tax	
254	Write offs of uncollectable amounts	195
(904)	Additional / (Reduced) Impairment of Aged Debt	1,639
	Impairment of Debts/Appeals - Business Rates	
645	Write offs of uncollectable amounts	427
(255)	Additional / (Reduced) Impairment of Aged Debt	708
(2,857)	Losses on appeal	(519)
1,008	Additional / (Reduced) Provision For Appeals	(531)
204	Cost of Collection Allowance - Business Rates	**206**
150,731	**Total Expenditure**	**169,219**
8,518	Surplus/(Deficit) For Year	1,922
(11,571)	Surplus/(Deficit) Brought Forward From Previous Years	(3,040)
3,601	**Surplus/(Deficit) on Council Tax**	**2,340**
(6,641)	**Surplus/(Deficit) on Business Rates**	**(3,458)**
(3,040)	**Surplus/(Deficit) as at 31st March 2019**	**(1,118)**

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, 1st April 1991 values. Individual charges are calculated by estimating the amount of income required to be taken from the Collection Fund by Kent County Council, the Kent Police & Crime Commissioner, Kent Fire & Rescue Authority and this Council for the forthcoming year and dividing this by the Council Tax base which is the total number of properties in each band adjusted by a proportion to convert the number to a Band D equivalent and adjusted for discounts: 60,921.6 for 2018/19 (59,439.3 for 2017/18) (see table below.) This basic amount of Council Tax for a Band D property, £1,735.24 for 2018/19 (£1,654.93 for 2017/18), 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)	-13	5/9	-7.2
Band A	2,502	6/9	1,668.1
Band B	6,160	7/9	4,791.4
Band C	15,103	8/9	13,425.0
Band D	15,903	9/9	15,902.6
Band E	8,706	11/9	10,640.2
Band F	5,078	13/9	7,334.9
Band G	3,781	15/9	6,301.6
Band H	334	18/9	668.6
Other			196.4
			60,921.6

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 49.3p / £ Rateable Value (47.9p in 2017/18)
- Small Business Multiplier 48.0p / £ Rateable Value (46.6p in 2017/18)

The rateable value at 31st March 2019 was £145.864m (£145.132m at 31st March 2018).

For 2018/19, it was calculated that the Council would receive £22.649m in business rates (£22.716m in 2017/18).

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 (£18.602m in 2018/19, £18.059m in 2017/18) is subsequently 'top-sliced' and returned to the Government for redistribution across local government.

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

Since April 2013, the Council has participated in a pooled arrangement with Kent County Council, Kent Fire and Rescue Authority and nine other district councils in Kent in order to minimise the levy payment due to Central Government and thereby maximise the retention of locally generated Business Rates. However, in 2018/19 the pooling arrangement was extended and accepted by Government as part of a pilot ("100% retention") scheme. The pilot also included Medway Council and the remaining two district councils in Kent and there was no requirement to make a levy payment.

Maidstone Borough Council's share of Business Rates as part of the Kent and Medway pilot was 40%, with the remainder distributed to Kent County Council (59%) and Kent Fire & Rescue Authority (1%).

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

GLOSSARY OF TERMS

ACCOUNTING POLICIES

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

ACCOUNTS

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

ASSETS HELD FOR SALE

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

BALANCE SHEET

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

BALANCES

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

CAPITAL EXPENDITURE

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

CAPITAL FINANCING

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

CAPITAL RECEIPTS

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

COLLECTION FUND

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

CREDITORS

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

DEBTORS

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

DEPRECIATION

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

GENERAL FUND

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

HERITAGE ASSETS

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

INTANGIBLE ASSETS

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

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

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

INVESTMENT PROPERTIES

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

PROPERTY, PLANT & EQUIPMENT

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

REVENUE EXPENDITURE FUNDED FROM CAPITAL BY STATUTE

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

REVENUE SUPPORT GRANT

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

REVENUE ACCOUNT

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

SUPPORT SERVICES

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

USABLE CAPITAL RECEIPTS

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

UNUSABLE RESERVES

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

USABLE RESERVES

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

INDEPENDENT AUDITOR'S REPORT

To follow