AUDIT, GOVERNANCE AND STANDARDS COMMITTEE MEETING

Date: Monday 13 November 2023
Time: 6.30 pm
Venue: Town Hall, High Street, Maidstone

Membership:

Councillors Bartlett (Vice-Chairman), Coulling (Parish Representative), Cox (Chairman), Forecast, Harper, Jones, Kimmance, Knatchbull, Titchener (Parish Representative), Trzebinski and Wilby

The Chairman will assume that all Members will read the reports before attending the meeting. Officers are asked to assume the same when introducing reports.

Issued on Friday 10 November 2023 **Continued Over/:**

Alison Broom

Alison Broom, Chief Executive

MAIDSTONE Borough Council

INFORMATION FOR THE PUBLIC

In order to ask a question at this meeting, please call **01622 602899** or email **committee@maidstone.gov.uk** by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Thursday 9 November 2023). You will need to provide the full text in writing.

If your question is accepted, you will be provided with instructions as to how you can access the meeting.

In order to make a statement in relation to an item on the agenda, please call **01622 602899** or email **committee@maidstone.gov.uk** by 5 p.m. one clear working day before the meeting (i.e. by 5 p.m. on Thursday 9 November 2023). You will need to tell us which agenda item you wish to speak on.

If you require this information in an alternative format please contact us, call **01622 602899** or email **committee@maidstone.gov.uk**.

To find out more about the work of the Committee, please visit the Council's Website.

AUDIT, GOVERNANCE & STANDARDS COMMITTEE	13 November 2023

Statement of Accounts 2021/22

Timetable	
Meeting	***Date***
Audit, Governance & Standards Committee	13 November 2023

Will this be a Key Decision?	No
Urgency	This needs to be considered as an urgent item as the Statement of Accounts had not been finalised on the date the agenda for this meeting was published.
Final Decision-Maker	Audit, Governance & Standards Committee
Lead Head of Service	Mark Green, Director of Finance, Resources & Business Improvement
Lead Officer and Report Author	Paul Holland, Senior Finance Manager
Classification	Public
Wards affected	All

Executive Summary

This report presents the audited Statement of Accounts for 2021/22, along with the Audit Findings Report from Grant Thornton, the Council's external auditors, and the Letter of Representation.

Purpose of Report

The report enables the Committee to formally approve the Statement of Accounts, and to note the Audit Findings Report and Letter of Representation.

This report makes the following recommendations to the Audit, Governance & Standards Committee:

1. That the audited Statement of Accounts for 2021/22 are approved.

2. That the external auditor's Audit Findings Report is noted.

3. That the Letter of Representation is noted.

Statement of Accounts 2021/22

1. CROSS-CUTTING ISSUES AND IMPLICATIONS

Issue	Implications	Sign-off
Impact on Corporate Priorities	We do not expect the recommendations will by themselves materially affect achievement of corporate priorities. However, they will support the Council's overall achievement of its aims in demonstrating accountability and value for money.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Cross Cutting Objectives	There is no specific implication, however sound financial management does support the delivery of the Council's cross cutting objectives.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Risk Management	This is addressed in Section 5 of this report.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Financial	The Statement of Accounts provides an overview of income and expenditure for the financial year to 31 March 2022, and details the council's assets, liabilities and reserves at this date.	Senior Finance Manager (Client)
Staffing	There are no specific issues arising.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Legal	Under section 151 of the Local Government Act (LGA 1972), the Section 151 Officer has statutory duties in relation to the financial administration and stewardship of the authority, including advising on the corporate financial position and providing financial information.	Team Leader (Contentious and Corporate Governance)

	The Council is required to produce a statement of account in accordance with the Accounts and Audit (England) Regulations 2015. It is a function of the Audit, Governance and Standards Committee to review and approve the annual statement of accounts and to consider if appropriate accounting policies have been followed and whether there are concerns arising from the financial statements or from the audit that need to be brought to the attention of the Policy and Resources Committee or Council. The Statement was required to be signed off by the Director of Finance, Resources & Business Improvement by 31st July 2022 and following the external audit to be approved and published by 30th November 2022.	
Information Governance	The recommendations do not impact personal information (as defined in UK GDPR and Data Protection Act 2018) the Council processes.	Policy and Information Team
Equalities	There is no impact on Equalities as a result of the recommendations in this report. An EqIA would be carried out as part of a policy or service change, should one be identified.	Equalities and Communities Officer
Public Health	The recommendations will not negatively impact on population health or that of individuals.	Public Health Officer
Crime and Disorder	There are no specific issues arising.	Director of Finance, Resources and Business Improvement (Section 151 Officer)
Procurement	There are no specific issues arising.	Director of Finance, Resources and Business Improvement (Section 151 Officer)

Biodiversity and Climate Change	The implications of this report on biodiversity and climate change have been considered and there are no direct implications on biodiversity and climate change.	Biodiversity and Climate Change Manager

2. INTRODUCTION AND BACKGROUND

2.1 The Council was required to have its audited Statement of Accounts approved by the Audit, Governance & Standards Committee by 30th November 2022 in accordance with the amended Accounts & Audit Regulations.

2.2 Members will be aware that the deadline was not achieved for a number of reasons that have been outlined in previous reports to the Committee. However, all the outstanding issues have now been successfully resolved and the auditors have indicated that they will be issuing an unmodified audit opinion.

2.3 This report includes the updated Statement of Accounts, the External Auditor's Audit Findings Report and the Letter of Representation.

2.4 A representative from Grant Thornton will be in attendance at the meeting to present their Audit Findings Report and to take any questions that Members may have.

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3. AVAILABLE OPTIONS

3.1 The Committee is asked to approve the Statement of Accounts 2021/22 and note the contents of the Audit Findings Report and the Letter of Representation.

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4. PREFERRED OPTION AND REASONS FOR RECOMMENDATIONS

4.1 That the Statement of Accounts 2021/22 is approved so they can be signed by the Director of Finance, Resources and Business Improvement and published on the Council's website.

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5. RISK

5.1 Any further delays would impact on the audit of the 2022/23 Statement of Accounts which cannot commence until these Accounts are approved and published.

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6. CONSULTATION RESULTS AND PREVIOUS COMMITTEE FEEDBACK

6.1 Members of the public have legal rights to inspect, ask questions about and challenge items in the Council's accounts. Details of this were published on the Council's website and the statutory period ended on 30th August 2022. No enquiries were received in relation to this.

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7. NEXT STEPS: COMMUNICATION AND IMPLEMENTATION OF THE DECISION

7.1 The audited Statement of Accounts will be published on the Council's website.

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8. REPORT APPENDICES

- Appendix 1: Statement of Accounts 2021/22
- Appendix 2: External Auditor's Audit Findings Report
- Appendix 3: Letter of Representation

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9. BACKGROUND PAPERS

None.

MAIDSTONE
Borough Council

STATEMENT OF ACCOUNTS 2021/22

STATEMENT OF RESPONSIBILITIES FOR THE STATEMENT OF ACCOUNTS

The Council's Responsibilities

The Council is required to:

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

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

- Approve the Statement of Accounts.

The Director of Finance, Resources & Business Improvement's Responsibilities

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

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

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

The Director of Finance, Resources & Business Improvement has also:

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

I certify that this Statement of Accounts gives a true and fair view of the financial position of the Council at the reporting date and of its expenditure and income for the year ended 31st March 2022.

Signed:

Mark Green, Director of Finance, Resources & Business Improvement

Date: 13th November 2023

PRIMARY STATEMENTS

COMPREHENSIVE INCOME & EXPENDITURE STATEMENT

For the years ending 31st March 2021 & 2022

2020/21 Gross Expenditure £000	2020/21 Gross Income £000	2020/21 Net Expenditure £000	Committee	2021/22 Gross Expenditure £000	2021/22 Gross Income £000	2021/22 Net Expenditure £000
48,675	(45,932)	2,743	Policy & Resources	48,419	(43,881)	4,538
25,433	(12,591)	12,842	Communities, Housing & Environment	26,315	(15,387)	10,929
12,146	(6,731)	5,415	Economic, Regeneration & Leisure	17,561	(7,030)	10,532
8,589	(4,991)	3,598	Strategic Planning & Infrastructure	8,420	(7,157)	1,263
94,844	**(70,246)**	**24,598**	**Cost Of Services**	**100,715**	**(73,454)**	**27,261**
		2,392	Other Operating Expenditure (Note 9)	2,367	(939)	1,428
		3,749	Financing and Investment Income and Expenditure (Note 10)	3,013	(6,137)	(3,123)
		(33,064)	Taxation and Non-Specific Grant Income and Expenditure (Note 11)	19,339	(50,702)	(31,363)
		(2,324)	**(Surplus) or Deficit on Provision of Services**			**(5,797)**
			Items that will not be reclassified to the (Surplus) or Deficit on the Provision of Services			
		3,512	(Surplus) or deficit on revaluation of property, plant & equipment assets			(10,212)
		13,225	Remeasurement of the Net Defined Benefit Liability			(16,866)
		16,736	**Other Comprehensive Income and Expenditure**			**(27,076)**
		14,413	**Total Comprehensive Income and Expenditure**			**(32,873)**

MOVEMENT IN RESERVES STATEMENT

For the years ending 31st March 2021 & 2022

Current Year	General Fund Balance Unallocated £000	Earmarked GF Balances £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied £000	Total Usable Reserves £000	Unusable Reserves £000	Total Reserves £000
Balance at 1st April 2021	10,274	22,965	33,239	459	0	33,691	14,546	48,237
Movement in Reserves during 2021/22								
Total Comprehensive Income & Expenditure	5,797	0	5,797	0	0	5,797	27,078	32,873
Adjustments between accounting basis & funding basis under regulation (Note 6)	(5,155)	0	(5,155)	(171)	1,172	(4,154)	4,153	(1)
Movements between Reserves	1,602	(1,606)	(4)	0	0	(4)	4	0
Increase or Decrease in 2021/22	**2,244**	**(1,606)**	**638**	**(171)**	**1,172**	**1,641**	**31,237**	**32,872**
Balance at 31st March 2022	**12,518**	**21,360**	**33,878**	**288**	**1,172**	**35,334**	**45,781**	**81,115**

Comparative Year	General Fund Balance £000	Earmarked GF Balances £000	Total General Fund Balance £000	Capital Receipts Reserve £000	Capital Grants Unapplied	Total Usable Reserves £000	Unusable Reserves (Restated) £000	Total Reserves £000
Balance at 1st April 2020	8,821	7,820	16,641	552	0	17,193	45,462	62,655
Movement in Reserves during 2020/21								
Total Comprehensive Income & Expenditure	2,324	0	2,324	0	0	2,324	(16,737)	(14,413)
Adjustments between accounting basis & funding basis under regulation (Note 6)	14,365	(90)	14,275	(93)	0	14,183	(14,183)	0
Movements between Reserves	(15,235)	15,235						0
Increase or Decrease in 2020/21	**1,454**	**15,145**	**16,599**	**(93)**	0	**16,500**	**(30,918)**	**(14,418)**
Balance at 31st March 2021	**10,274**	**22,965**	**33,239**	**459**		**33,691**	**14,546**	**48,237**

The statement shows the movement from the start of the year to the end on the different reserves held by the Council, analysed into usable reserves (i.e. those that can be applied to fund expenditure or reduce local taxation) and other unusable reserves. The statement shows how the movements in year of the authority's reserves are broken down between gains and losses incurred in accordance with generally accepted accounting practices and the statutory adjustments required to return to the amounts chargeable to council tax for the year. The net increase/decrease line shows the statutory general fund balance movements in the year following those adjustments.

BALANCE SHEET

As at 31st March 2021 & 2022

31st March 2020 (Restated) £000	31st March 2021 (Restated) £000		Notes	31st March 2022 £000
110,174	113,479	Property, Plant & Equipment	17	135,806
30,221	37,889	Investment Property	18	43,395
13,309	13,349	Heritage Assets	19	13,349
654	818	Intangible Assets		1,139
62	2,141	Long Term Debtors	23	1,109
154,420	167,676	**Long Term Assets**		194,798
0	2,000	Short Term Investments	20	5,000
7,242	5,153	Inventories	22	145
17,138	17,913	Short Term Debtors	23	14,297
11,028	14,163	Cash & Cash Equivalents	24	33,753
35,408	39,229	**Current Assets**		53,195
341	3,380	Bank Overdraft	24	101
11,000	11,000	Short Term Borrowing	20	4,000
29,377	41,503	Short Term Creditors	25	67,209
1,164	1,511	Provisions	26	1,565
517	537	Deferred Liability	28	567
3,979	3,937	Capital Grants Receipts in Advance	15	3,053
46,378	61,868	**Current Liabilities**		76,494
1,400	1,652	Provisions	26	1,801
0	0	Long Term Borrowing		5,000
2,020	1,483	Deferred Liability	28	914
3,696	3,880	Capital Grants Receipts in Advance	15	4,775
73,677	89,783	Net Pension Liability	32	77,890
80,794	96,799	**Long Term Liabilities**		90,382
62,655	**48,237**	**Net Assets**		**81,115**
17,193	33,691	Usable Reserves	7	35,334
45,462	14,546	Unusable Reserves	30	45,781
62,655	**48,237**	**Total Reserves**		**81,115**

Opening balances reflect adjustments to the Heritage Asset line following identification of a prior period error. Full details are disclosed within note 19

CASHFLOW STATEMENT

2020/21 £000		Notes	2021/22 £000
(2,324)	Net (surplus) or deficit on the provision of services		(5,797)
(22,082)	Adjustments to net surplus or deficit on the provision of services for non-cash movements	**35**	(28,953)
8,603	Adjustments for items included in the net surplus or deficit on the provision of services that are investing & financing activities	**36**	8,274
(15,804)	**Net cash flows from Operating activities**		**(26,477)**
19,614	Investing Activities	**37**	18,564
(3,906)	Financing Activities	**38**	(14,956)
(97)	**Net increase or decrease in cash & cash equivalents**		**(22,869)**
(10,687)	Cash & cash equivalents at the beginning of the reporting period		(10,783)
(10,783)	**Cash & cash equivalents at the end of the reporting period**		**(33,652)**

NOTES TO THE ACCOUNTS

1 – EXPENDITURE & FUNDING ANALYSIS

For the years ending 31st March 2021 & 2022

2020/21				2021/22		
Net Expenditure Chargeable to the General Fund £000	**Adjustments between the Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**	**Committee (See note)**	**Net Expenditure Chargeable to the General Fund £000**	**Adjustments between the Funding and Accounting Basis £000**	**Net Expenditure in the Comprehensive Income & Expenditure Statement £000**
10,192	(7,557)	2,635	Policy & Resources	8,376	(3,839)	4,538
8,769	4,072	12,841	Communities, Housing & Environment	7,484	3,445	10,929
2,880	2,643	5,523	Economic, Regeneration & Leisure	1,803	8,729	10,532
1,251	2,347	3,598	Strategic Planning & Infrastructure	29	1,233	1,263
23,092	**1,505**	**24,597**	**Net Cost Of Services**	**17,692**	**9,569**	**27,261**
(11,053)	(15,870)	(26,923)	Other Income & Expenditure	(28,645)	(4,414)	(33,059)
12,038	**(14,365)**	**(2,326)**	**(Surplus) or Deficit**	**(10,953)**	**5,155**	**(5,797)**
		16,648	Opening General Fund Balance			33,239
		(14,265)	Adjustments between Accounting & Funding Basis			5,155
		33,239	**Closing General Fund Balance at 31st March**			**33,878**

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

NOTE TO THE EXPENDITURE & FUNDING ANALYSIS

	Adjustments between Funding & Accounting Basis 2021/22			
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Note i) £000**	**Net Change for Pensions Adjustments (Note ii) £000**	**Other Differences (Note iii) £000**	**Total Adjustments £000**
Policy & Resources	1,066	1,757	(6,661)	**(3,839)**
Communities, Housing & Environment	2,923		521	**3,445**
Economic, Regeneration & Leisure	8,056		673	**8,729**
Strategic Planning & Infrastructure	(348)		1,582	**1,233**
Net Cost of Services	**11,697**	**1,757**	**(3,886)**	**9,568**
Other income and expenditure from the Expenditure & Funding Analysis	(11,697)	(1,757)	9,041	**(4,414)**
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**0**	**0**	**5,155**	**5,155**

	Adjustments between Funding & Accounting Basis 2020/21			
Adjustments from General Fund to arrive at the Comprehensive Income & Expenditure Statement amounts	**Adjustments for Capital Purposes (Note i) £000**	**Net Change for Pensions Adjustments (Note ii) £000**	**Other Differences (Note iii) £000**	**Total Adjustments £000**
Policy & Resources	(2,172)	1,687	(7,072)	**(7,557)**
Communities, Housing & Environment	1,591		2,481	**4,072**
Economic, Regeneration & Leisure	1,315		1,328	**2,643**
Strategic Planning & Infrastructure	703		1,644	**2,347**
Net Cost of Services	**1,437**	**1,687**	**(1,619)**	**1,504**
Other income and expenditure from the Expenditure & Funding Analysis	(6,341)	(1,687)	(7,842)	**(15,870)**
Difference between General Fund surplus or deficit and Comprehensive Income & Expenditure Statement Surplus or Deficit on the Provision of Services	**(4,904)**	**0**	**(9,461)**	**(14,366)**

Note i – Adjustments for Capital Purposes

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

Note ii – Net Charge for Pensions Adjustments

- This column adjusts the service committees for the statutory adjustments put through in respect of IAS 19 Employee Benefits pension related income and expenditure.

Note iii – Other Differences

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

EXPENDITURE AND INCOME ANALYSED BY NATURE

	2020/21 £000	2021/22 £000
Expenditure		
Employee Benefit Expenses	22,762	25,426
Other Services Expenses	92,766	94,952
Depreciation, Amortisation, Impairment	9,310	3,022
Interest Payments	153	126
Precepts & Levies	282	2,240
Total Expenditure	**125,273**	**125,766**
Income		
Fees, Charges & Other Service Income	(25,871)	(30,461)
Interest & Investment Income	(36)	(72)
Income from Council Tax & NDR	(43,191)	(45,459)
Government Grants & Contributions	(54,611)	(47,751)
Changes in the Fair Value of Investment Properties	(3,887)	(7,820)
Total Income	**(127,597)**	**(131,563)**
(Surplus) or Deficit on the Provision of Services	**(2,325)**	**(5,797)**

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

Service Area	**2020/21 £000**	**2021/22 £000**
Accommodation	(512)	(1,084)
Central Services	(807)	(737)
Cultural & Related Services	(308)	(916)
Environment & Regulatory Services	(4,104)	(4,071)
Housing Services	(1,503)	(1,659)
Other Services	(833)	(1,216)
Other Support Services	(2,329)	(2,424)
Parking Services	(2,443)	(3,880)
Planning & Economic Development	(2,754)	(5,285)
Property Services	(3,997)	(2,573)
Fees, Charges & Other Service Income	**(19,590)**	**(23,844)**

2 - ACCOUNTING POLICIES

General Principles

The Statement of Accounts summarises the Council's transactions for the 2021/22 financial year and its position at the year-end of 31st March 2022. 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 2021/22, supported by International Financial Reporting Standards (IFRS).

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

- Going concern
- Primacy of legislative requirements

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

Revenue Recognition

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

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

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

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

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

- Accruals are recognised where the value exceeds £5,000 in the revenue accounts, and £10,000 in the capital accounts.

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

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

The council tax and business rate income included in the Comprehensive Income & Expenditure Statement is the accrued income for the year, which consists of:

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

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

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

Overheads & Support Services

The costs of support services and overheads are charged to those that benefit from the supply or service in accordance with the absorption costing principle. The full cost of overheads and support services is shared between users in proportion to the benefits received.

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

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

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

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

Value Added Tax

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

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

ROUNDING

It is not the Council's policy to adjust for immaterial cross -casting differences between the main statements and disclosure notes.

3 - CRITICAL JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

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

- A comprehensive review of all property leases was undertaken at the end of 2017/18 to determine whether they should be classified as an operating lease (which are off-Balance Sheet), or a finance lease (which is on-Balance Sheet). The result of this review was that the Council currently has no property leases which need to be classified as finance leases. The acquisition of Maidstone House did meet the criteria for a finance lease, but due to the nature of the arrangement it is accounted for as an operational asset.

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

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

- 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 Temporary Accommodation Properties Valuations was identified as necessary due to potential change in values. The relevant accounting policy states assets which should be valued using market-based evidence of fair value. In practice they have not been valued using direct market-based evidence at 31st March 2022, but using market-based evidence (from comparable sales in Maidstone relevant to these types of property) at 31st March 2023 and applying an indexation approach to estimate the values at the previous year-end of 31st March 2022. This will not lead to a material difference compared with using comparable sales information relevant to these properties at 31st March 2022. Going forward these assets will be valued more regularly to mitigate the potential risk of changing values.

- 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 2022 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
Property valuations	Property valuations are based on market prices and are periodically reviewed to ensure that the Council does not materially misstate its non-current assets and investment properties. 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. Valuations have been undertaken in accordance with the latest professional guidance. The estimated remaining useful life of all operational assets is reviewed annually based on the advice from the Council external valuers.	A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £9.9m. This would not impact on the general fund balance. 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.

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
Fair Value of Investment Property	The Council's external valuers use valuation techniques to determine the fair value of investment property. This involves developing estimates and assumptions consistent with how market participants would price the property. The valuers base their assumptions on observable data as far as possible, but this is not always available. In that case, the valuers use the best information available.	Estimated fair values may differ from the actual prices that could be achieved in an arm's length transaction at the reporting date. A reduction in the estimated valuations would result in reductions to the Revaluation Reserve and / or a loss recorded as appropriate in the Comprehensive Income and Expenditure Statement (CIES). If the value of the Council's property portfolio were to reduce by 10%, this would result in a change of approximately £4.1m. This would not impact on the general fund balance.
Depreciation	Assets are depreciated over useful lives which are based on the level of repairs and maintenance that will be incurred in relation to individual assets. If current spending on repairs and maintenance were to be reduced, this could affect a change to useful lives assigned to the assets.	Depreciation charges for operational buildings will change in direct relation to changes in estimated fair value. Furthermore, if the useful life of assets is reduced the annual depreciation charge increases and the carrying amount of the asset falls. It is estimated that the annual depreciation charge for buildings would increase by £0.1m for every year that useful lives had to be reduced.
Pensions Liability	Estimation of the net liability to pay pensions depends on several complex judgements relating to the discount rate used, the rate at which salaries are projected to increase, changes in retirement ages, mortality rates and expected returns on Pension Fund investments.	• A 1.0% increase in the discount rate will reduce the net pension liability by £6.6m; • A 1.0% increase in the assumed level of pension increases and deferred revaluation will increase the net pension liability by £7.1m;

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Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	The ongoing changes to the UK financial environment do make the valuation of the pension liability subject to potential variation. With the regular valuation process to assess the liability we are confident that there is regular oversight of the pension liability. The sensitivity analysis allows us to assess the potential impacts of changes. At present the current long term assumptions seem prudent. The councils have a sound financial base and therefore would be able to manage changes to contribution rates.	• An increase of one year in longevity will increase the net pension liability by £7.1m.
Arrears	At 31st March 2022 the Council had a balance of sundry debtors for £15m. A review of significant balances suggested that an impairment allowance for bad debts of £4.8m was appropriate. The calculation of this estimate is specific to the different classes of debtor but is generally based on the age of the debt and likelihood of recoverability. Uncertainty remains as to whether or not such an allowance will be sufficient to cover non-payment of these debts.	If collection rates were to deteriorate, a 50% increase in the level of impairment required for doubtful debts would require an additional £2.4m to be set aside as an allowance.
Non-Domestic Rates Appeals	The Collection Fund is liable for potential losses arising from appeals against the rateable value of business premises. A provision of £7.2m has therefore been created to recognise current and backdated appeals. The council's share of the	If the yield losses from successful appeals were to increase by 10%, an additional provision of £0.728m would be required overall, and the council's share of the provision would increase by £0.289m.

Balance	Source of Uncertainty	Effect if actual results differ from assumptions
	provision of £2.9m is reflected on the balance sheet. This is deemed to be appropriate as it is based on a detailed analysis of information provided by the VOA. 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. These calculations are made with reference to information supplied by an external advisor, Analyse Local. Uncertainty exists as to whether or not the provision will be sufficient to cover refunds made following successful rateable value appeals, or whether the current provision is excessive.	
Brexit	The UK stopped being a member of the European Union (EU) at 23:00 GMT on 31 January 2020. However, significant uncertainty remains concerning the UK's future relationship with the EU. Current assumptions underlying asset valuations and pensions liability assume no significant impact from Brexit.	Depending on the continuing 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

The Code requires changes in accounting policy to be applied retrospectively unless alternative transitional arrangements are specified in the Code. An authority is required to disclose information relating to the impact of an accounting change that will be required by a new standard that has been issued but not yet adopted by the Code for the relevant year. The additional disclosures that will be required in the 2022/23 financial statements in respect of accounting changes that are introduced in the 2022/23 Code are:

- Implementation of IFRS 16 - Leases
- Service concession arrangements liability measurement

There are a number of other new standards being issued or updated, but these are nor expected to be relevant to the 2022/23 financial Statements for Maidstone.

There are no new standards that have been issued but not yet adopted which, when adopted, are expected to have a material impact on the Council's financial statements.

6 - ADJUSTMENTS BETWEEN ACCOUNTING BASIS & FUNDING BASIS UNDER REGULATIONS

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

General Fund Balance

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

Capital Receipts Reserve

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

Capital Grants Unapplied

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

2021/22	Usable Reserves		
	General Fund balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £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)	4,973	0	0
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	(7,396)	0	0
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	0	0
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)	12,903	(1,172)	**0**
Total Adjustments to Revenue Resources	**10,475**	**(1,172)**	**0**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(4,312)	0	4,329
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(1,403)	0	**0**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,969)		
Total Adjustments between Revenue and Capital Resources	**(11,684)**	**0**	**4,329**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(4,500)
Application of capital grants to finance capital expenditure	(3,945)		
Total Adjustments to Capital Resources	**(3,945)**	**0**	**(4,500)**
Total Adjustments	**(5,155)**	**(1,172)**	**(171)**

2020/21 Comparative Figures	Usable Reserves		
	General Fund balance £000	Capital Grants Unapplied £000	Capital Receipts Reserve £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)	2,881	0	0
Council Tax and NDR (transfers to or from the Collection Fund Adjustment Account)	13,069	0	0
Holiday Pay (transferred to the Accumulated Absences Account)	(5)	0	0
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)	13,325	0	**0**
Total Adjustments to Revenue Resources	**29,269**	**0**	**0**
Adjustments between Revenue and Capital Resources			
Transfer of non-current asset sale proceeds from revenue to the Capital Receipts Reserve	(3,535)	0	3,554
Statutory provision for the repayment of debt (transfer from the Capital Adjustment Account)	(517)	0	**0**
Capital expenditure financed from revenue balances (transfer to the Capital Adjustment Account)	(5,801)	0	**0**
Total Adjustments between Revenue and Capital Resources	**(9,853)**	**0**	**3,554**
Adjustments to Capital Resources			
Use of the Capital Receipts Reserve to finance capital expenditure	0	0	(3,647)
Application of capital grants to finance capital expenditure	(5,051)	0	0
Total Adjustments to Capital Resources	**(5,051)**	**0**	**(3,647)**
Total Adjustments	**14,366**	**0**	**(93)**

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 £33.879m at the end of the year the Council maintains a number of Earmarked Reserves for specific purposes as follows:

31st March 2020 £000	Contributions to/from Balances 2020/21 £000		31st March 2021 £000	Contributions to/from Balances 2021/22 £000	31st March 2022 £000
309	(309)	Local Plan Review	0	0	0
75	21	Neighbourhood Planning	96	0	96
286	0	Planning Appeals	286	0	286
32	0	Trading Accounts	32	(32)	0
164	(8)	Civil Parking Enforcement	155	245	400
431	700	Future Capital Expenditure	1,131	1,295	2,426
1,589	(618)	Future Funding Pressures	970	0	970
681	92	Homelessness Prevention & Temporary Accommodation	773	506	1,279
3,887	(113)	Business Rates Earmarked Balances	3,774	(90)	3,684
31	(31)	Occupational Health & Safety	0	0	0
335	(335)	Lockmeadow Complex	0	0	0
0	14,739	Funding for Future Collection Fund Deficits	14,739	(4,453)	10,286
0	500	Commercial Risk	500	0	500
0	500	Invest to Save	500	0	500
0	0	Recovery and Renewal Reserve	0	778	778
0	0	Renewable Energy	0	119	119
0	0	Enterprise Zone	0	4	4
7,820	**15,138**	**Total Earmarked Reserves**	**22,955**	**(1,627)**	**21,328**
8,819	1,454	Unallocated Balances	10,273	2,278	12,551
16,639	**16,592**	**Total General Fund Reserves**	**33,228**	**651**	**33,879**

Description of Earmarked Reserves:

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

Planning Appeals – This reserve was created as a contingency for potential costs of future planning appeals. This is in addition to the provision held for costs relating to known appeals.

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

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

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

Future Funding Pressures – This reserve holds funds set aside as contingency for future local government funding reforms.

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

Business Rates Earmarked Balances – These are locally retained rates from the Kent Business Rates Pool and 2018/19 100% Pilot, which will be used to support local initiatives including the delivery of economic development activity.

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

Commercial Risk & Invest to Save – These amounts were previously set aside within the general fund balance, but not formally earmarked. The Commercial Risk reserve is an allowance intended to preserve the general fund balance in the event of major contract failure. The Invest to Save reserve is a fund to enable projects which will unlock future revenue savings to be delivered. It is intended that the savings would first be used to replenish the reserve before being recognised within the budget.

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

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

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

Accounting Policy - Reserves

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

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

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

8 - MATERIAL ITEMS OF INCOME & EXPENSE

There are no material items of income and expenditure that are not detailed in the notes below. Materiality is defined as 2% of prior gross year expenditure for the Council, which is broadly consistent with the materiality calculation used as part of the annual external audit of the Statement of Accounts. The figure used for the purpose of this note is £1.9m for 2021/22.

9 - OTHER OPERATING EXPENDITURE

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

	2020/21 £000	2021/22 £000
Parish Council precepts	2,130	2,240
Levies	120	127
(Gains)/losses on the disposal of non-current assets	142	(939)
	2,393	**1,428**

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.

	2020/21 £000	2021/22 £000
Interest payable and similar charges	152	126
Net Interest on the Net Defined Benefit Liability	1,687	1,758
Interest receivable and similar income	(36)	(72)
Income & Expenditure in relation to Investment properties and changes in their fair value:		
Income	(4,576)	(6,065)
Expenditure	6,522	1,130
	3,749	**(3,122)**

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	**2020/21 £000**	**2021/22 £000**
Council tax income	18,994	20,540
Income from Retained Business Rates	24,160	24,908
Tariff Payable	(19,339)	(19,339)
Levy Payable	(70)	0
Covid-19 Grants	4,846	1,259
Non-ringfenced Government Grants	4,472	3,995
Total	**33,064**	**31,363**
Credited to Services		
Housing Benefit Subsidy	36,898	33,423
Non-Domestic Rates - Cost of Collection	205	222
Council Tax Administration	146	160
Covid-19 Grants	5,736	4,386
Other Grants	1,817	4,326
Total	**44,802**	**42,517**

In 2020/21 and 2021/22 Income from Retained Business Rates has benefited from the Council’s participation in the Kent Business Rates Pool, as explained in note 2 to the Collection Fund Statement.

Accounting Policy – Government Grants & Contributions

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

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

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

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

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

12 - MEMBERS' ALLOWANCES

The amount of Members Allowances paid during 2021/22 totalled £367,153 (£359,191 in 2020/21).

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

13 – OFFICERS REMUNERATION

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

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

2020/21	Salary (Including Fees) £000	Other Payments, Allowances & Benefits in Kind £000	Total Remuneration excluding Pension Contributions £000	Pension Contributions £000	Total Remuneration including Pension Contributions £000
Chief Executive	134	3	**137**	24	**161**
Director of Finance & Business Improvement	106	1	**107**	19	**125**
Director of Regeneration & Place	106	1	**107**	19	**125**
Director of Mid-Kent Services	97	1	**99**	17	**115**

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

The Chief Executive receives additional remuneration to reflect her role as the Council's Returning Officer during elections.

The Director of Mid-Kent Services is jointly funded with Swale and Tunbridge Wells Borough Councils, each making equal contributions. Therefore, Maidstone's share of the salary is one-third of the value above (£36,000).

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

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

Remuneration Banding	2020/21 No. of Employees	2021/22 No. of Employees
£50,000 - £54,999	5	7
£55,000 - £59,999	6	5
£60,000 - £64,999	5	8
£65,000 - £69,999	3	1
£70,000 - £74,999	2	2
£75,000 - £79,999	2	1
£80,000 - £84,999	2	1
£85,000 - £89,999	1	2
£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	
	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22	2020/21	2021/22
							£000	£000
£0 - £20,000	1	0	2	0	3	0	16	0
£20,001 - £40,000	0	0	0	0	0	0	0	0
£40,001 - £80,000	0	0	0	0	0	0	0	0
£80,001 - £100,000	0	0	0	0	0	0	0	0
£100,001 - £150,000	0	0	0	0	0	0	0	0
Total	**1**	**0**	**2**	**0**	**3**	**0**	**16**	**0**

14 - EXTERNAL AUDIT COSTS

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

	2020/21 £000	2021/22 £000
Fees payable with regard to external audit services carried out by the appointed auditor for the year	62	65
Fees payable for the certification of grant claims and returns during the year	44	25
Total	**106**	**90**

15 – CAPITAL GRANTS RECEIPTS IN ADVANCE

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

	2020/21 £000	2021/22 £000
Balance at start of year:	7,676	7,817
Grants Received	6,885	6,076
Transfers	(1,695)	(2,118)
Funding used for capital expenditure	(5,051)	(3,945)
Balance at end of year:	**7,817**	**7,830**

On the Balance Sheet the year-end figure is split between short-term (expected to be used by 31st March 2023) £4.225m and long-term (expected to be used after 1st April 2024) £4.775m.

The majority of the balance (£5.0m) relates to Section 106 monies held by the Council for future use. There is also a further £2.3m held for disabled facilities grants which is an ongoing area of work for the Council.

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

	2020/21 £000	2021/22 £000
Balance at start of year:	0	0
Grants Received	0	0
Transfers	0	1,172
Funding used for capital expenditure	0	0
Balance at end of year:	**0**	**1,172**

16 - RELATED PARTIES

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

Central Government

Central government has effective control over the general operations of the Council- it is responsible for providing the statutory framework within which the Council operates, and prescribes the terms of many of the transactions that the Council has with other parties (e.g. council tax bills, housing benefits). Grants received from government departments are set out in the subjective analysis in Note 1 – the Expenditure & Funding Analysis.

Members and Senior Officers

Members of the Council have direct control over the Council's financial and operating policies. The total of Members' Allowances paid in 2021/22 is shown in Note 12.

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

The following officers are Directors of Maidstone Property Holdings Limited, which is a wholly owned subsidiary of the Council.

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

The Balance Sheet as at 31st March 2022, reflects £359,129 (2020/21, £138,340) which is payable from Maidstone Property Holdings Limited to Maidstone Borough Council, relating to income and expenditure for the 2021/22 financial year.

17 - PROPERTY, PLANT & EQUIPMENT

Movements on Balances

Movements in 2021/22	**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 2021	6,222	91,098	17,078	1,979	4,462	3,999	10,695	**135,535**
Additions	233	16,198	653	369	147	282	3,782	**21,664**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	3,029	0	0	0	0	0	**3,029**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(7,452)	0	0	0	0	0	**(7,452)**
Derecognition of assets	0	(17)	0	(66)	0	0	0	**(83)**
Other movements in cost or valuation	0	11,797	0	0	0	0	(11,355)	**442**
At 31st March 2022	**6,455**	**114,653**	**17,731**	**2,282**	**4,609**	**4,281**	**3,122**	**153,135**
Accumulated Depreciation & Impairment								
At 1st April 2021	(3,930)	(5,282)	(8,095)	(1,054)	(3,694)	0	0	**(22,055)**
Depreciation charge	1,672	(2,753)	(1,013)	(379)	(416)	0	0	**(2,889)**
Depreciation written out to the Revaluation Reserve	0	7,568	0	0	0	0	0	**7,568**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**
Derecognition of assets/Other Movements	0	0	0	49	0	0	0	**49**
At 31st March 2022	**(2,258)**	**(467)**	**(9,108)**	**(1,384)**	**(4,110)**	**0**	**0**	**(17,327)**
Net Book Value								
At 31st March 2022	**4,197**	**114,186**	**8,623**	**898**	**499**	**4,281**	**3,122**	**135,806**
At 31st March 2021	2,293	85,816	8,982	925	768	3,999	10,695	**113,479**

Movements in 2020/21	**Infrastructu re 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 2020	5,073	94,621	16,956	1,751	4,460	3,701	2,391	**128,955**
Additions	1,149	5,738	489	273	55	298	8,304	**16,306**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	0	(5,130)	0	0	0	0	0	**(5,130)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	(4,301)	0	0	0	0	0	**(4,301)**
Derecognition of assets	0	(79)	(62)	(100)	(53)	0	0	**(294)**
Other movements in cost or valuation	0	250	(305)	55	0	0	0	**0**
At 31st March 2021	6,222	91,099	17,078	1,979	4,462	3,999	10,695	**135,536**
Accumulated Depreciation & Impairment								
At 1st April 2020	(3,638)	(3,868)	(7,137)	(785)	(3,350)	0	0	**(18,779)**
Depreciation charge	(291)	(3,033)	(1,021)	(350)	(397)	0	0	**(5,092)**
Depreciation written out to the Revaluation Reserve	0	1,620	0	0	0	0	0	**1,620**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	0	0	0	0	0	0	0	**0**
Derecognition of assets	0	0	62	81	53	0	0	**196**
At 31st March 2021	(3,929)	(5,281)	(8,096)	(1,054)	(3,694)	0	0	**(22,055)**
Net Book Value								
At 31st March 2021	**2,293**	**85,816**	**8,982**	**925**	**768**	**3,999**	**10,695**	**113,479**
At 31st March 2020	1,435	90,746	9,779	959	1,161	3,701	2,391	**110,172**

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.

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Analysis of Land & Buildings Movements 2021/22	**Car Parks £000**	**Cemetery & Crematorium £000**	**Depots, Workshops & Toolsheds £000**	**Entertainment Complex £000**	**Halls & Pavilions £000**	**Housing £000**	**Land £000**	**Leisure Centres & Pools £000**	**Markets £000**	**Museums & Galleries £000**	**Offices £000**	**Parks & Open Spaces £000**	**Public Conveniences £000**	**Residential / Commercial £000**	**Theatres £000**	**Town Hall £000**	**Total Land & Buildings £000**
Cost or Valuations																	
At 1st April 2021	12,495	2,184	1,960	21,353	3,764	13,961	347	7,891	1,720	11,300	0	1,693	1,501	4,824	4,952	1,154	**91,098**
Additions	22	299	31	1,228	51	237	529	0		3	7,540			6,139	7	134	**16,222**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	1,940				533	427	30			412	119	440		(1,044)	172		**3,029**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(162)			(258)		(12)		(532)			(75)			(6,403)		(8)	**(7,452)**
Derecognition of Assets	(41)																**(41)**
Other movements in cost or valuation						778								11,019			**11,797**
At 31st March 2022	**14,254**	**2,483**	**1,992**	**22,323**	**4,348**	**15,391**	**906**	**7,359**	**1,720**	**11,715**	**7,584**	**2,133**	**1,501**	**14,534**	**5,132**	**1,280**	**114,654**
Accumulated Depreciation & Impairment																	
At 1st April 2021	12	(61)	(21)	0	(1,149)	(2,575)	(39)	(2)	(42)	1	0	(149)	(0)	(1,112)	(119)	(25)	**(5,281)**
Depreciation charge		(38)	(36)	(450)	(361)	(1,076)		(149)	(27)	(236)	(43)		(101)	(125)	(90)	(18)	**(2,751)**
Depreciation written out to the Revaluation Reserve			89	450	1,508			149		236	43			4,840	210	42	**7,568**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	**0**
Other movements in cost or valuation																	**0**
At 31st March 2022	**12**	**(99)**	**32**	**0**	**(2)**	**(3,651)**	**(39)**	**(2)**	**(70)**	**1**		**(149)**	**(102)**	**3,603**	**1**	**(1)**	**(465)**
Net Book Value																	
At 31st March 2022	**14,266**	**2,384**	**2,024**	**22,323**	**4,346**	**11,740**	**867**	**7,357**	**1,650**	**11,716**	**7,584**	**1,984**	**1,400**	**18,137**	**5,133**	**1,279**	**114,191**
At 31st March 2021	12,507	2,123	1,940	21,353	2,615	11,378	308	7,889	1,678	11,301	0	1,544	1,501	3,712	4,833	1,129	85,813

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Analysis of Land & Buildings Movements 2020/21	**Car Parks**	**Cemetery & Crematorium**	**Depots, Workshops & Toolsheds**	**Entertainment Complex**	**Halls & Pavilions**	**Housing**	**Land**	**Leisure Centres & Pools**	**Markets**	**Museums & Galleries**	**Offices**	**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**	**£000**	**£000**
Cost or Valuations																	
At 1st April 2020	16,047	2,181	1,960	22,500	3,760	12,573	285	8,056	1,720	12,465	0	473	1,680	4,824	4,952	1,150	**94,625**
Additions		3		4,150	4	1,514	63									4	**5,738**
Revaluation increases/(decreases) recognised in the Revaluation Reserve	(2,957)			(1,644)		9		(165)	0	(1,165)		970	(179)				**(5,130)**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services	(595)			(3,574)		(131)											**(4,301)**
Derecognition of Assets				(79)													**(79)**
Other movements in cost or valuation												250					**250**
At 31st March 2021	**12,495**	**2,184**	**1,960**	**21,353**	**3,764**	**13,965**	**347**	**7,891**	**1,720**	**11,300**	**0**	**1,693**	**1,501**	**4,824**	**4,952**	**1,154**	**91,102**
Accumulated Depreciation & Impairment																	
At 1st April 2020	12	(23)	17	(150)	(788)	(1,506)	(39)	(51)	(15)	(78)		(93)	(405)	(720)	(29)	(7)	**(3,875)**
Depreciation charge		(38)	(38)	(450)	(361)	(1,076)		(149)	(27)	(236)		(56)	(101)	(392)	(90)	(18)	**(3,033)**
Depreciation written out to the Revaluation Reserve				600				199		315			506				**1,620**
Revaluation increases/(decreases) recognised in the Surplus/Deficit on the Provision of Services																	**0**
Other movements in cost or valuation																	**0**
At 31st March 2021	12	(61)	(21)	0	(1,149)	(2,582)	(39)	(2)	(42)	1		(149)	(0)	(1,112)	(119)	(25)	(5,289)
Net Book Value																	
At 31st March 2021	**12,507**	**2,123**	**1,940**	**21,353**	**2,615**	**11,383**	**308**	**7,889**	**1,678**	**11,301**	**0**	**1,544**	**1,501**	**3,712**	**4,833**	**1,129**	**85,813**
At 31st March 2020	16,059	2,158	1,978	22,350	2,972	11,070	246	8,005	1,705	12,387	0	380	1,275	4,103	4,923	1,143	90,751

Prior to 1st April 2008 Community Assets had been valued at £1 each, with any expenditure incurred written off annually as Revenue Expenditure charged to Capital under Statute. These are assets that the Council intends to hold in perpetuity and therefore they have no market value, but they still need to be recognised on the Balance Sheet. The types of asset held under this classification are mainly the parks and open spaces within the borough.

From 1st April 2008 Community Assets had to be recorded on the Balance Sheet at Historic Cost. Due to the age and nature of many of the assets it is was not possible to ascertain an accurate historical cost, but expenditure incurred is now added to the value of the asset.

The Code of Practice also requires that material classes of assets within Property, Plant & Equipment are 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 2022 the Council had the following capital commitments:

2020/21 £000	Project	2021/22 £000
	Springfield Mill Block 6	731
2,590	Mote Park Café/Visitor Centre	1,309
	Gypsy Site Refurbishment Works	1,497
108	Union Street housing development	0
147	Brunswick Street housing development	0
1,144	Springfield Mill housing development	0
936	Mall Bus Station	0
1,249	Kent Medical Campus - Innovation Centre	0
6,174		**3,537**

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 March 2022 in accordance with the requirements of the Code of Practice and are considered to be materially accurate at the Balance Sheet date.

The table also shows the historic cost values of the various asset classes, which were established at 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	6,455	4,281	407	17,731	2,283	4,609	3,122	**38,887**
Valued at current value as at:								
31st March 2018			0					**0**
31st March 2019			225					**225**
31st March 2020			4,996					**4,996**
31st March 2021			1,495					**1,495**
31st March 2022			107,530					**107,530**
Total Cost or Valuation	**6,455**	**4,281**	**114,653**	**17,731**	**2,283**	**4,609**	**3,122**	**153,133**

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 and Assets Under Construction - Depreciated Historical Cost.

- Community Assets – Under previous capital regulations these were all valued at £1 each. Since the change of regulations in 2008/09 any subsequent expenditure has been recorded as historic cost, as due to the nature of these assets it is not possible to revalue them.

- 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 50 years.

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

- Infrastructure - straight-line allocation over 20 years, with the exception of pedestrian footbridges which are over 50 years.

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

18 - INVESTMENT PROPERTIES

The following items of income and expense have been accounted for in the financing and investment income and expenditure line in the comprehensive income and expenditure statement:

	2020/21 £000	2021/22 £000
Rental income from investment property	(2,961)	(2,380)
Direct operating expenses arising from investment property	994	443
Net (gain)/loss	**(1,967)**	**(1,937)**

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

	Investment Properties £000	Assets Under Construction £000	2020/21 £000	Investment Properties £000	Assets Under Construction £000	2021/22 £000
Balance at start of the year	23,270	6,951	30,221	25,697	12,192	37,889
Additions	2,027	7,241	9,267	202	2,349	2,551
Transfers		(2,000)	(2,000)	11,506	(11,948)	(442)
Net gains/losses from fair value adjustments	400		400	3,396		3,396
Balance at end of year	**25,697**	**12,192**	**37,889**	**40,802**	**2,593**	**43,395**

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.

19 – 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 2021	12,006	480	515	348	13,349
Additions					0
Disposals					0
31st March 2022	**12,006**	**480**	**515**	**348**	**13,349**
1st April 2020	12,006	480	515	308	13,309
Additions				40	40
Disposals					0
31st March 2021	**12,006**	**480**	**515**	**348**	**13,349**

The opening balance for the Museum Exhibits has been adjusted to reflect updated values of the exhibits. Further details are shown below in the Prior Period Adjustment section.

Museum Exhibits

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

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

The total of £12.006m represents those items that have been valued to date as part of an ongoing cataloguing exercise. 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, and the cataloguing exercise will continue.

War Memorials

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

Statues and Sculptures

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

Other Items

This relates to three items, the civic regalia used by the Mayor, the 'Elemental' art installation on the bridge across the River Medway, and a new piece of public art (a metal sculpture of a dinosaur) installed outside Maidstone East station as part of the recent public realm project. The civic regalia have been valued by a local jeweller for insurance purposes, and the art installation and the new installation have been valued at purchase cost.

Listed Buildings and Other Heritage Assets

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

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

Prior Period Adjustment

Nature of the prior period adjustment

While preparing the financial statements for the year to 31st March 2022, it was identified that the value of the exhibits at the museum was understated by £2.915m. This followed work that had been done to review the collection, which of a significant size and therefore no review had taken place for a number of years. Going forward it has been agreed that the value of the highest value assets will be reviewed on a regular basis to ensure that the value is as accurate as is reasonably possible.

Amount of correction for each financial statement line affected

Balance Sheet

Restated balance at 1st April 2020	Balance Sheet line item affected	Original balance disclosed at 31st March 2021	Restated balance at 31st March 2021	Value of correction 31st March 2021
£000		**£000**	**£000**	**£000**
13,309	Heritage Assets	10,433	13,348	2,915
154,420	**Long Term Assets**	**164,760**	**167,675**	**2,915**
62,655	**Net Assets**	**45,321**	**48,236**	**2,915**
45,462	Unusable Reserves	11,630	14,545	2,915
62,655	**Total Reserves**	**45,321**	**48,236**	**2,915**

Accounting Policy – Heritage Assets

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

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

- Replacement Cost
- Purchase Cost
- Insurance Valuation

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

20 - FINANCIAL INSTRUMENTS

Financial Instruments – Classifications

A financial instrument is a contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Non-exchange transactions, such as those relating to taxes and government grants, do not give rise to financial instruments.

Financial Liabilities:

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

Financial Assets:

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

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

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

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

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

	Long-term		Short-Term	
	31st March 2021 £000	31st March 2022 £000	31st March 2021 £000	31st March 2022 £000
Treasury Investments				
Financial assets at amortised cost	0	0	16,160	38,750
Debtors				
Financial assets at amortised cost	37	25	10,589	10,259
Loans				
Financial liabilities at amortised cost	0	5,000	11,000	4,000
Creditors				
Financial liabilities at amortised cost	0	0	16,160	7,677
Other Long Term Liabilities				
Finance Lease Liabilities at amortised cost	1,483	905	537	567

On the face of the Balance Sheet, Financial Assets are held at Amortised Cost where the business model for the Council is to collect contractual cash flows.

Investments of £38.75m are held in short dated instruments, call accounts, notice accounts, money market funds and short dated fixed term deposits. The Council has no long-term treasury funds invested at the year end. Debtors includes two service loans to third parties, Kent Savers £25k Long Term and One Maidstone £24k (Business Improvement District Levy) short-term. The Council has no other long-term debtors, and the fair value of trade and other receivables is taken to be the invoiced or billed amount.

The Council's treasury management loan balance of £9m is made up of £4m short dated loans and £5m long term loans. Long term loans are 50 year maturity loans with the Public Works Loans Board (PWLB).

Other Long-Term Liabilities relates to the services concession arrangement between the Council and Serco, the managing contractor of Maidstone Leisure Centre. Details of this arrangement are discussed within 28 – Private Finance Initiatives & Similar Contracts.

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

Income & Expense

	Long-term		Short-Term	
	31st March 2021 £000	31st March 2022 £000	31st March 2021 £000	31st March 2022 £000
Income:				
Financial assets at amortised cost	0	0	30	72
Other Interest	0	0	6	0
Total	**0**	**0**	**36**	**72**
Expenditure:				
Financial liabilities at amortised cost	0	0	38	30
Total	**0**	**0**	**38**	**30**

Expected Credit Loss Model

The Council considers the potential for credit losses on financial assets held at amortised cost either on a 12-month basis, where risk has not increased significantly or remains low, or lifetime basis, where risk has increased significantly (Simplified model - Debtors only). An exception is:

- Deposits with local authorities – credit losses are not recognised for deposits held with central Government or other local authorities due to statutory provisions (the Local Government Act 2003), which prevent default.
- Impairment losses are calculated to reflect the expectation that the future cash flows might not take place because the borrower could default (triggering a credit loss) on their obligations.
- With regard to Debtors, an Impairment Allowance for Bad Debts (IABD) is applied annually based on a set of assumptions on the collectability of external debts based on past experience and future expectations.

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

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

All valuations on Council's financial assets and liabilities uses level 2.

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

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

	31st March 2021 Book Value £000	Fair Value £000	Fair Value Level	31st March 2022 Book Value £000	Fair Value £000
Financial Assets					
Long Term Investments	0	0	2	0	0
Short Term Investments (less than 1 yr)	16,177	16,177	2	38,791	38,783
Financial Liabilities					
Long Term Loans	0	0	2	5,025	3,920
Short Term Loans (less than 1 yr)	11,003	11,004	2	4,002	3,992

The fair value of liabilities is greater than the carrying amount because the Council's portfolio of loans includes fixed rates loans where the interest rate payable is higher than the rates available for similar loans in the market at the balance sheet date. This shows a notional future loss (based on economic conditions at 31 March 2022) arising from a commitment to pay interest to lenders above current market rates.

The fair value of PWLB loan of £3.92m measures the economic effect of terms agreed with the PWLB compared with estimates of the terms that would be offered for market transactions undertaken at the Balance Sheet date. The fair value amount is lower than the balance sheet current value is due to the PWLB loans being at a lower rate to what would be paid if the loan was at the current PWLB new loan rate.

The fair value of of assets is less than the carrying amount due to the credit risk of a default from institutions with fixed term deposits, however as these investments are very short term, this amount is not material.

Borrowing

The Council has ready access to borrowings from the money markets to cover any day to day cash flow need, and the PWLB and money markets for access to longer term funds. The Council is also required to provide a balanced budget through the Local Government Finance Act 1992, which ensures sufficient monies are raised to cover annual expenditure. There is, therefore, no significant risk that it will be unable to raise finance to meet its commitments under financial instruments.

Below is a table showing the maturity profile of current loans.

Time to Maturity	2020/21 £000s	2021/22 £000s
Under 12 months	11,000	4,000
12 months to under 24 months	0	0
24 months to under 5 years	0	0
5 years to under 10 years	0	0
10 years and within 20 years	0	0
20 years and within 30 years	0	0
30 years and within 40 years	0	0
40 years and within 50 years	0	5,000

There are two long-term loans with the Public Works Loans Board, for £2.0m and £3.0m which mature in November and December 2071 respectively.

21 - NATURE & EXTENT OF RISKS ARISING FROM FINANCIAL INSTRUMENTS

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

Treasury Management Strategy 2021/22

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

- to utilise cash balances rather than loan debt to finance the capital programme in the short term, due to low investment returns and high counterparty risk in the current economic climate;
- to further diversify its portfolio, as far as is operationally feasible, ensuring that a combination of secured and unsecured investments are considered. Greater use of Local Authority investments will be sought due to the high security of the borrower which enables investment over a longer period where funds are not required immediately.
- Increase previous counterparty limits due to the increased grant funding from Central Government in relation to COVID19 which were being held until grants were paid to individuals and businesses.

Credit Risk

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

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

As at 31st March 2022 investments were held with the following institutions:

	31st March 2021 £000	**31st March 2022 £000**
AAA rated Institutions	0	9,750
AA+ rated Institutions	0	0
AA rated Institutions	2,280	5,000
AA- rated Institutions	2,880	5,000
A+ rated Institutions	8,000	16,000
A rated Institutions	0	3,000
A- rated Institutions	0	0
BBB+ rated Institutions	0	0
Unrated Local Authorities	3,000	0
UK Government	0	0
Total	**16,160**	**38,750**

Liquidity Risk

Liquidity risk arises from the Council having insufficient resources to meet its on-going commitments. The Council has a comprehensive cash flow management system that seeks to ensure that cash is available as needed. If unexpected movements happen, the Council has ready access to borrowings from the money market, other local authorities and the Public Works Loan Board. There is no significant risk that it will be unable to raise finance to meet its commitments under financial instruments. A borrowing provision of £4m exists for short term cash flow purposes. However, provision has also been made with the current Treasury Management Strategy to have an authorised debt limit of £66.68m to fund on-going schemes in the event of projected capital receipts not being realised.

Refinancing and Maturity Risk

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

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

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

Market Risk – Interest Rate Risk

The Council is exposed to interest rate movements on its borrowings and investments. Movements in interest rates have a complex impact on the Council, depending on how variable and fixed interest rates move across differing financial instrument periods. For instance, a rise in variable and fixed interest rates would have the following effects:

- Borrowings at variable rates – the interest expense charged to the Comprehensive Income and Expenditure Statement will rise;
- Borrowings at fixed rates – the fair value of the borrowing will fall (no impact on revenue balances);
- Investments at variable rates – the interest income credited to the Comprehensive Income and Expenditure Statement will rise; and
- Investments at fixed rates – the fair value of the assets will fall (no impact on revenue balances).

Borrowings are not carried at fair value on the balance sheet, so nominal gains and losses on fixed rate borrowings would not impact on the Surplus or Deficit on the Provision of Services or Other Comprehensive Income and Expenditure. However, changes in interest payable and receivable on variable rate borrowings and investments will be posted to the Surplus or Deficit on the Provision of Services and affect the General Fund Balance. Movements in the fair value of fixed rate investments that have a quoted market price will be reflected in the Other Comprehensive Income and Expenditure Statement.

The Authority has a number of strategies for managing interest rate risk. The Annual Treasury Management Strategy draws together Authority's prudential and treasury indicators and its expected treasury operations, including an expectation of interest rate movements. From this Strategy a treasury indicator is set which provides maximum limits for fixed and variable interest rate exposure. The central treasury team will monitor market and forecast interest rates within the year to adjust exposures appropriately. For instance, during periods of falling interest rates, and where economic circumstances make it favourable, fixed rate investments may be taken for longer periods to secure better long term returns, similarly the drawing of longer term fixed rates borrowing would be postponed.

The risk exposure is summarised in the table below:

	31st March 2021 £000	31st March 2022 £000
Investments		
Notice accounts/Money market funds	13,160	27,750
Fixed term deposits	3,000	11,000
	16,160	**38,750**
Borrowings		
Short term loans with local authorities	11,000	4,000
Long Term Borrowings with PWLB	0	5,000
	11,000	**9,000**

Foreign Exchange Risk

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

22 – INVENTORIES

	Property acquired or constructed for sale		Other inventory items		Total	
	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000	2020/21 £000	2021/22 £000
Balance outstanding at start of year	7,076	4,979	166	174	7,242	5,153
Purchases	2,001		361	290	2,362	290
Recognised as an expense in the year	(4,096)	(4,979)	(353)	(319)	(4,449)	(5,298)
					0	0
Balance outstanding at year-end	**4,979**	**0**	**174**	**146**	**5,153**	**146**

23 – SHORT AND LONG TERM DEBTORS

Short Term Debtors

	2020/21 £000	2021/22 £000
Central government bodies	1,675	686
Other local authorities	7,843	4,759
Other entities and individuals	14,845	14,291
Total	**24,362**	**19,737**

Allowance for Bad Debts

	2020/21 £000	2021/22 £000
Excess Charges Impairment Allowance	1,184	676
Sundry Bad Debts Impairment Allowance	5,265	4,764
Total	**6,449**	**5,441**

The figure on the balance sheet represents Debtors less Provision for Bad Debts, which totals £14.296m.

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

	2020/21 £000	2021/22 £000
Council Tax payers	1,534	1,790
Business Rate payers	1,938	1,684
Capital debtors	1,022	178
General debtors	8,119	8,982
Payments in Advance	802	582
Other miscellaneous amounts	1,430	1,075
Total	**14,845**	**14,291**

Long Term Debtors

Part of the debtors balance with other Local Authorities (£1.06m) has been classified as a long term debtor for 2021/22, due to the requirement to spread collection fund deficits with preceptors over three years. This means that two thirds of the 'exceptional' balance calculated for spreading purposes will not be recovered from preceptors until 2022/23 and 2023/24.

24 - CASH & CASH EQUIVALENTS

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

	2020/21 £000	2021/22 £000
Cash held by the Council	3	3
Bank current accounts	(3,380)	(101)
Short-term deposits	14,160	33,750
Total	**10,783**	**33,652**

Accounting Policy – Cash & Cash Equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are investments that mature in 3 months or less from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value. Currently, due to the requirement of funding for its liabilities, £33.75m of Council investments are classified as cash and cash equivalents.

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

25 – CREDITORS

Short Term

	2020/21 £000	2021/22 £000
Central government bodies	13,171	29,927
Other public sector bodies	14,218	21,653
Other entities and individuals	14,113	15,634
Total	**41,502**	**67,216**

The movement in the balances for Central Government is a reflection of additional business grants and increase in income in advance.

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

Other entities and individuals are broken down as follows:

	2020/21 £000	2021/22 £000
General creditors	4,200	5,116
Capital creditors	1,416	1,342
Council tax payers	0	251
Business Rate payers	0	1,713
Receipts in advance	7,293	5,994
Deposits	638	661
Retentions	566	557
Total	**14,113**	**15,634**

26 - PROVISIONS

	2020/21 £000	2021/22 £000
Business Rates Appeals - Current	1,261	1,090
Business Rates Appeals - Backdated	1,283	1,801
Planning Appeals	261	261
Other Provisions	358	215
Total	**3,163**	**3,367**

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

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

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

Accounting Policy – Provisions

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

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

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

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

27 - TRUST FUNDS

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

The assets and liabilities of the Trust as at 31st March 2022 are summarised in the following table. The figures for 2020/21 are the audited figures, which differ from those in the 2021/22 Statement of Accounts, as the audit took place after that was published.

Gross expenditure in 2021/22 totalled £485,385 (£447,662 in 2020/21). Gross income in 2021/22 totalled £493,583 (£431,008 in 2020/21).

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

	2020/21 (Updated) £000	2021/22 £000
Fixed Assets:		
Tangible Assets	2,553	2,439
Investment Property	1,000	1,103
Investments	825	886
	4,379	**4,428**
Current Assets	500	491
Current Liabilities	304	202
Creditors: Amounts falling due after more than one year	135	135
Total assets less total liabilities	**4,440**	**4,582**
Total Charitable Funds	**4,440**	**4,582**

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.

The value of the payments for 2021/22 was as follows:

- Principal: £537,500
- Interest: £92,500
- Total: £630,000

Payments

	2020/21 £000	2021/22 £000
Balance outstanding at start of year	2,537	2,020
Repayment of principal	(517)	(537)
Balance outstanding at end of year	**2,020**	**1,482**

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

Accounting Policy – Deferred Liability

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

29 – CAPITAL RECEIPTS RESERVE

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

	31st March 2021 £000	31st March 2022 £000
Balance at 1st April	**549**	**459**
Capital Receipts Received	1,968	4,329
Capital Receipts Applied	(2,058)	(4,500)
Balance at 31st March	**459**	**288**

30 - UNUSABLE RESERVES

	31st March 2021 £000	31st March 2022 £000
Revaluation Reserve	43,799	54,203
Capital Adjustment Account	73,743	75,262
Deferred Capital Receipts Reserve	7	7
Pensions Reserve	(89,783)	(77,890)
Collection Fund Adjustment Account	(13,036)	(5,641)
Accumulated Absences Account	(183)	(160)
Total Unusable Reserves	**14,546**	**45,780**

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 2021 £000	31st March 2022 £000
Balance at 1st April (Restated)	**47,164**	**43,798**
Upward revaluation of assets		12,261
Downward revaluation of assets	(3,512)	(2,049)
Difference between fair value depreciation and historical cost depreciation	146	194
Balance at 31st March	**43,798**	**54,203**

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 2021 £000	31st March 2022 £000
Balance at 1st April	**72,175**	**73,733**
Reversal of items relating to capital expenditure debited or credited to the Comprehensive Income & Expenditure Statement:		
Charges for depreciation of non-current assets	(5,094)	(2,889)
Amortisation of intangible assets	(121)	(132)
Revaluation Gains/Losses on Property, Plant & Equipment	(4,319)	(7,083)
Movements in the market value of Investment Properties debited or credited to the Comprehensive Income & Expenditure Statement	400	3,396
Revenue expenditure funded from capital under statute	(4,929)	(7,363)
Write-off of non-enhancing capital expenditure	(79)	(20)
	(14,141)	**(14,092)**
Adjusting amounts written out of the Revaluation Reserve	(146)	(194)
Net written out amount of the cost of non-current assets consumed in the year	**(14,287)**	**(14,286)**
Capital financing applied in the year:		
Minimum Revenue Provision	798	865
Sums set aside for Debt Repayment	517	537
Use of the Capital Receipts Reserve to finance new capital expenditure	3,647	4,500
Capital grants & contributions credited to the Comprehensive Income & Expenditure Statement that have been applied to capital financing	5,051	3,945
Capital expenditure charged against the General Fund balance	5,833	5,968
	15,846	**15,815**
Balance at 31st March	**73,733**	**75,263**

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.

	2020/21 £000	2021/22 £000
Opening balance at 1 April	73,677	89,783
Remeasurements of the net defined liability	13,225	(16,866)
Reversal of items relating to retirement benefits debited or credited to the Surplus or Deficit on the Provision of Services in the Comprehensive Income and Expenditure Statement	6,690	8,805
Employer's pensions contributions	(3,809)	(3,832)
Closing balance at 31 March	**89,783**	**77,890**

d) Collection Fund Adjustment Account

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

	31st March 2021 £000	31st March 2022 £000
Balance at 1st April	26	13,036
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	(131)	(671)
- Non-domestic Rates	13,141	(6,726)
Balance at 31st March	**13,036**	**5,640**

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.

	2020/21 £000	2021/22 £000
Opening Capital Finance Requirement	**41,847**	**52,730**
Capital Investment		
Property, Plant & Equipment	16,254	21,634
Inventory	2,001	0
Non-enhancing capital expenditure	79	20
Investment Properties	7,266	2,563
Intangible Assets	285	454
Revenue Expenditure Funded from Capital Under Statute	845	2,383
	26,730	**27,055**
Sources of Finance		
Capital receipts	(3,647)	(4,500)
Government grants & other contributions	(5,052)	(3,945)
New Homes Bonus	(4,472)	(3,856)
Other Revenue Contributions	(1,360)	(2,113)
	(14,531)	**(14,414)**
Increase in Capital Financing Requirement	12,198	12,640
Minimum Revenue Provision Set-aside	(1,315)	(1,403)
Closing Capital Finance Requirement	**52,730**	**63,968**

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 a combination of internal borrowing using existing cash balances and external funding, in accordance with the agreed Treasury Management Strategy for 2021/22.

Accounting Policy – Minimum Revenue Provision

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

Accounting Policy – Revenue Expenditure Funded from Capital Under Statute

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

32 - DEFINED BENEFIT PENSION SCHEMES

Participation in Pension Schemes

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

The Council participates in the Local Government Pension Scheme (LGPS), administered locally by Kent County Council – this is a funded defined benefit Career Average Revalued Earnings (CARE) pension scheme, meaning that the Council and employees pay contributions into a fund, calculated at a level intended to balance the pensions liabilities with investment assets.

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

Transactions Relating to Post-employment Benefits

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

	2020/21 £000	2021/22 £000
Comprehensive Income & Expenditure Statement (CIES)		
Cost of Services:		
Service cost comprising:		
- Current service cost	5,003	7,047
- Past service costs including curtailments	0	0
Financing and Investment Income & Expenditure:		
- Net interest expense	1,687	1,758
Total Post Employment Benefit Charged to the Surplus or Deficit on the Provision of Services	**6,690**	**8,805**
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)	28,386	855
- Actuarial gains and losses arising on changes in financial assumptions	(46,104)	6,681
- Actuarial gains and losses arising on changes in demographic assumptions	2,056	5,481
-Experience gains and losses on defined benefit obligation	2,437	3,345
- Other actuarial gains and losses	0	504
Total Post Employment Benefit Charged to the CIES	**(6,535)**	**25,671**
Movement in Reserves Statement:		
- Reversal of net charges made to the Surplus or Deficit for the Provision of Services for post employment benefits in accordance with the Code	6,690	8,805
Actual amount charged against the General Fund Balance for pensions in the year:		
- Employers' contributions payable to the scheme	(3,809)	(3,832)
	2,881	**4,973**

Curtailments

No employees were permitted to take unreduced early retirement that they would not otherwise have been entitled to over the past year.

Settlements

There were no liabilities settled at a cost materially different to the accounting reserve as a result of members transferring to / from another employer over the year (2020/21 £nil).

Pension Assets and Liabilities Recognised in the Balance Sheet

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

	2020/21 £000	2021/22 £000
Present value of funded obligation	221,430	212,828
Fair value of plan assets	(133,210)	(136,412)
Contributions by scheme participants	**88,220**	**76,416**
Present value of unfunded obligation	1,563	1,474
Net liability arising from defined benefit obligation	**89,783**	**77,890**

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

	2020/21 £000	2021/22 £000
Opening fair value of Scheme assets	103,305	133,210
Interest on assets	2,417	2,656
Return on assets less interest	28,471	937
Administration expenses	(85)	(82)
Contributions by employer including unfunded	3,809	3,832
Contributions paid by scheme participants	981	972
Estimated benefits paid plus unfunded net of transfers in	(5,688)	(5,617)
Other actuarial gains/(losses)	0	504
Closing fair value of Scheme assets	**133,210**	**136,412**

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

	2020/21 £000	2021/22 £000
Opening balance at 1 April	176,982	222,993
Current Service cost	5,003	7,047
Interest cost	4,104	4,414
Change in financial assumptions	46,104	(6,681)
Changes in demographic assumptions	(2,056)	(5,481)
Experience loss/(gain) on defined benefit obligation	(2,437)	(3,345)
Past service costs, including curtailments	0	
Estimated benefits paid net of transfers in	(5,541)	(5,483)
Contributions by Scheme participants	981	972
Unfunded pension payments	(147)	(134)
Closing balance at 31 March	**222,993**	**214,302**

Local Government Pension Scheme Assets

	31st March 2021 £000	%	31st March 2022 £000	%
Equities	85,777	65%	86,940	64%
Gilts	792	1%	824	1%
Other Bonds	16,636	12%	18,648	14%
Property	13,787	10%	15,864	12%
Cash	6,605	5%	2,791	2%
Absolute return fund	9,613	7%	9,992	7%
Total	**133,210**	**100%**	**135,059**	**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 2022.

The principal assumptions used by the actuary have been:

	2020/21	2021/22
Long-term expected rate of return of assets in the scheme		
Mortality Assumptions		
Longevity at 65 for current pensioners		
- Men	21.6	21.6
- Women	23.6	23.7
Longevity at 65 for future pensioners		
- Men	22.9	23.0
- Women	25.1	25.1
Financial Assumptions		
RPI increases	3.20%	N/A
CPI increases	2.80%	3.20%
Salary increases	3.80%	4.20%
Pension increases	2.80%	3.20%
Discount Rate	2.00%	2.60%

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	+1%	0.0%	-1%
- Present Value of Total Obligation	176,436	214,302	266,168
- Projected Service Cost	4,514	6,526	9,550
Adjustment to long-term salary increase	+1%	0.0%	-1%
- Present Value of Total Obligation	218,214	214,302	210,703
- Projected Service Cost	6,562	6,526	6,490
Adjustment to pension increases and deferred revaluation	+1%	0.0%	-1%
- Present Value of Total Obligation	261,295	214,302	179,923
- Projected Service Cost	9,501	6,526	4,523
Adjustment to life expectancy assumptions	+1%	None	-1 Year
- Present Value of Total Obligation	225,104	214,302	204,069
- Projected Service Cost	9,802	6,526	6,260

Scheme History

	2017/18 £000	**2018/19 £000**	**2019/20 £000**	**2020/21 £000**	**2021/22 £000**
Present value of defined benefit obligation in the Local Government Pension Scheme	(182,032)	(183,242)	(175,391)	(221,430)	(212,828)
Fair value of assets in the Local Government Pension Scheme	106,524	113,698	103,305	133,210	136,412
Present value of unfunded obligation	(2,110)	(1,937)	(1,591)	(1,563)	(1,474)
Surplus/(Deficit) in the scheme	**(77,618)**	**(71,481)**	**(73,677)**	**(89,783)**	**(77,890)**

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

£77.890m 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 2023 are £3.727m.

Accounting Policy – Employee Benefits

Benefits Payable During Employment

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

Post-Employment Benefits

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

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

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

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

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

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

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

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

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

Contributions to the pension scheme are determined by the Fund's actuary on a triennial basis. The most recent actuarial valuation to determine contributions was on 31 March 2022.

Discretionary Benefits

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

33 – LEASES

Finance Leases – Council as Lessee

The Council currently has 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 2021 £000	31st March 2022 £000
Not more than 1 year	558	590
Later than 1 year and not later than 5 years	1,473	905
Later than 5 years	0	0
	2,031	**1,496**

The Council has determined that arrangement to purchase Maidstone House for £7.1m should be classified as a finance lease. However, full payment was made at the time of acquisition, therefore there are no further lease transactions that need to be made, and it is now classified as an operational asset under Property, Plant & Equipment on the Balance Sheet, with a net carrying value of £7.584m.

Accounting Policy - Leases

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

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

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

34 – EVENTS AFTER THE REPORTING PERIOD

The Statement of Accounts was authorised for issue by the Director of Finance & Business Improvement on 18th July 2022. 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 2022 the figures in the financial statements and notes have been adjusted in all material respects to reflect the impact of this information.

Accounting Policy – Events after the Balance Sheet Date

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

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

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

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

	2020/21 £000	2021/22 £000
Depreciation	(5,094)	(4,773)
Revaluation Gains & Losses	(6,461)	(219)
Amortisation of Intangible Assets	(121)	(132)
Movement in Creditors	(4,427)	(9,317)
Movement in Debtors	1,025	(2,738)
Movement in Inventories	1,879	(5,008)
Movement in Pension Liabilities	(2,881)	(4,973)
Derecognition of non-current assets	(5,805)	(4,980)
Other Non-Cash items	(198)	3,187
	(22,082)	**(28,953)**

The Other Non-Cash items line for 2021/22 includes £3.396m in respect of the movement in Investment Property values following the annual revaluation exercise.

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

	2020/21 £000	2021/22 £000
Capital Grants credited to surplus or deficit on the provision of services	5,051	3,945
Proceeds from sale of Property, Plant & Equipment	3,551	4,329
	8,602	**8,274**

37 - CASH FLOW STATEMENT – INVESTING ACTIVITIES

	2020/21 £000	2021/22 £000
Purchase of property, plant & equipment, investment property and intangible assets	25,901	24,557
Purchase of short-term and long-term investments	2,000	3,000
Proceeds from the sale of property, plant & equipment, investment property and intangible assets	(1,968)	(4,329)
Proceeds from short-term and long-term investments	0	0
Other payments for investing activities	111	2,118
Other receipts for investing activities (Grants)	(6,429)	(6,783)
Net cash flows from investing activities	**19,614**	**18,564**

38 - CASH FLOW STATEMENT – FINANCING ACTIVITIES

	2020/21 £000	2021/22 £000
Cash receipts of short- and long-term borrowing	0	0
Cash payments for the reduction of outstanding liabilities relating to finance leases and on-Balance-Sheet PFI contracts	537	567
Repayments of short & long-term borrowing	0	2,000
Other payments for financing activities	(4,444)	(17,268)
Net cash flows from financing activities	**(3,906)**	**(14,700)**

COLLECTION FUND STATEMENT & NOTES

2020/21 £000		2021/22 £000	2021/22 £000
	INCOME		
124,005	Income From Council Tax	133,042	
31,730	Income From Business Rates (Note 2)	43,493	
155,735	**Total Income**		**176,535**
	EXPENDITURE		
	Precepts and Demands - Council Tax		
85,653	Kent County Council	89,647	
12,877	Kent Police & Crime Commissioner	13,786	
18,966	Maidstone Borough Council	19,342	
5,026	Kent Fire & Rescue Authority	5,106	
	Shares of Business Rates		
31,281	Central Government	12,318	
4,308	Kent County Council	2,217	
24,128	Maidstone Borough Council	9,855	
603	Kent Fire & Rescue Authority	246	
915	Transitional Protection Payments - Business Rates	789	
154	Disregarded Amounts - Business Rates	182	
	Impairment of Debts - Council Tax		
190	Write offs of uncollectable amounts	394	
1,760	Additional / (Reduced) Impairment of Aged Debt	352	
	Impairment of Debts/Appeals - Business Rates		
242	Write offs of uncollectable amounts	152	
808	Additional / (Reduced) Impairment of Aged Debt	11	
(1,197)	Losses on appeal	(1,968)	
2,231	Additional / (Reduced) Provision For Appeals	2,837	
205	Cost of Collection Allowance - Business Rates	207	
188,151	**Total Expenditure**		**155,473**
(32,417)	Surplus/(Deficit) For Year		21,062
(484)	Surplus/(Deficit) Brought Forward From Previous Years		(32,901)
(273)	**Surplus/(Deficit) on Council Tax**		**4,142**
(32,628)	**Surplus/(Deficit) on Business Rates**		**(15,981)**
(32,901)	**Surplus/(Deficit) as at 31st March 2022**		**(11,839)**

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.

Collection fund income has been impacted significantly by the Covid-19 pandemic, which is reflected in the deficit figures shown in the statement on the preceding page.

As part of the government's support package to businesses in response to the Covid-19 pandemic, business rates relief was granted to retail, hospitality, leisure businesses for 2021/22. 100% relief was award for the first quarter of

2021/22 followed by 66% for the remaining 3 quarters of the year. The government has reimbursed the council for business rates income lost as a result of the expanded reliefs, through grants amounting to £23.5m, of which £9.4m will be retained by Maidstone. However, as required under statute, these grants are credited to the general fund, leaving a significant deficit on the collection fund from the reduction in amounts collected from ratepayers. This deficit will be repaid from the general fund and by preceptors over the coming years.

Collection rates for Council Tax have been impacted by the Covid-19 pandemic as measures to pursue non-payment were put on hold during 2020/21. Court dates for the issuing of summonses and liability orders only restarted in August 2021, this is likely to have adversely impacted on the overall in-year collection rate. Furthermore, the council has observed a 3% increase in its Local Council Tax Support caseload since the budget expectations were set for 2021/22.

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: 64,089.4 for 2021/22 (63,319.8 for 2020/21) (see table below.) This basic amount of Council Tax for a Band D property, £1,988.63 for 2021/22 (£1,899.29 for 2020/21), 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)	1.4	5/9	0.8
Band A	2,592	6/9	1,742.5
Band B	6,412	7/9	5,029.6
Band C	15,626	8/9	14,007.5
Band D	16,453	9/9	16,592.8
Band E	9,117	11/9	11,237.3
Band F	5,388	13/9	7,849.3
Band G	4,011	15/9	6,741.6
Band H	343	18/9	692.0
Other	0		196.0
			64,089.4

Note 2 - Business (Non-domestic) Rates

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

- Standard Multiplier 51.2p / £ Rateable Value (51.2p in 2020/21)
- Small Business Multiplier 49.9p / £ Rateable Value (49.9p in 2020/21)

The rateable value at 31st March 2022 was £149.889m (£150.243m at 31st March 2021).

For 2021/22, it was calculated that the Council would receive £9.855m in business rates (£24.128m in 2020/21).

A system of Tariff and Top-Up payments operates on the localised shares distributed to local government bodies. A significant proportion of Maidstone's retained share £19.339 in 2021/22, (£19.339m in 2020/21) is subsequently 'top-sliced' and returned to the Government for redistribution across local government.

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

Since April 2013, the Council has participated in a pooled arrangement with Kent County Council, Kent Fire and Rescue Authority and other district councils in Kent in order to minimise the levy payment due to Central Government and thereby maximise the retention of locally generated Business Rates.

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

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

The Audit Findings for Maidstone Borough Council

Year ended 31 March 2022

Updated version November 2023 – updates to the July 2023 version of this report are in blue

Contents

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

This Audit Findings presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260. Its contents have been discussed with management.

Name: Sophia Brown
For Grant Thornton UK LLP
Date: November 2023

1. Headlines

This table summarises the key findings and other matters arising from the statutory audit of Maidstone Borough Council ('the Council') and the preparation of the Council's financial statements for the year ended 31 March 2022 for those charged with governance.

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and the Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

Our audit work is now substantially complete. The findings from our financial statements work are summarised in Section 2 of the report. Our work is now complete, subject to closing procedures. We anticipate our audit report opinion will be unmodified.

Our work to date has identified a number of misstatements above the level of which we are required to report – further details are included at Appendix C ("Audit adjustments").

The areas of outstanding work are:

- completing our work on PPE revaluations – we are currently unable to progress our work as, although some information has been received from the Council's external valuer, other information requested from the valuer in March 2023 has not yet been received;

The information requested from the external valuer was received in October 2023. The valuer's responses identified that a number of changes were required to the valuations previously used to produce the 2021-22 financial statements. As these errors were not material either individually or in aggregate, or when considered with other unadjusted errors, management decided not to adjust the accounts for these errors. We concluded that there was no material issue for our opinion in relation to the unadjusted valuation errors. Further information is included at page 13 and Appendix C.

Temporary housing accommodation assets totalling £10.282m were last revalued in years prior to 2021-22. Our work indicated that the valuation included in the financial statements for these assets was potentially understated by a material amount. Management has decided to adjust the valuation for the temporary housing accommodation assets in the 2021-22 accounts. The impact was to increase the valuation of PPE land and buildings at 31 March 2022 by £4.887m. Further information is included at page 17 and Appendix C.

- obtaining an updated report from the Council's actuary detailing the impact of the triennial revaluation on the Council's net pension liability disclosures as at 31 March 2022. If the impact on the financial statements is material then additional audit procedures will be required;

A revised report was obtained by management in September 2023. The report clarified that the impact of the triennial valuation on the Council's net pension liability was material, with an overall reduction of £7.472m in the Council's net pension liability. Management has amended the 2021-22 financial statements in line with this change. Further information is included at page 19 and Appendix C.

- reviewing management's proposed approach for including the Council's museum exhibits as heritage assets in the financial statements;

Management has now performed further work on the heritage assets balance. The 2021-22 accounts have been amended to increase the valuation by £2.915m. A prior period adjustment to the 2020-21 balance is also required. We have considered management's approach and concluded that there is no material issue for our opinion in relation to heritage assets. Further information is included at page 14 and Appendix C.

1. Headlines

Financial Statements

Under International Standards of Audit (UK) (ISAs) and the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to report whether, in our opinion:

- the Council's financial statements give a true and fair view of the financial position of the Council and its income and expenditure for the year; and
- have been properly prepared in accordance with the CIPFA/LASAAC code of practice on local authority accounting and prepared in accordance with the Local Audit and Accountability Act 2014.

We are also required to report whether other information published together with the audited financial statements (including the Annual Governance Statement (AGS), and the Narrative Report), is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

- resolving the remaining technical queries relating to the GT “hot review” of the financial statements;

All remaining queries have now been resolved. A number of adjustments have been agreed to disclosure notes, refer to Appendix C.

- final review and audit quality procedures;

Subject to the points below our work on the 2021-22 financial statements is now complete. Our audit opinion will be unmodified.

- reviewing a final version of the financial statements which contains all amendments, together with a final version of the Narrative Report;
- obtaining and reviewing the management letter of representation; and
- updating our post balance sheet events review to the date of signing our opinion.

We have raised recommendations for management as a result of our audit work in Appendix A. Our follow up of recommendations from the prior year’s audit are detailed in Appendix B.

We have concluded that the other information to be published with the financial statements is consistent with our knowledge of the Council and the financial statements we have audited.

Subject to the completion of the outstanding work as outlined above our anticipated audit report opinion will be unmodified.

1. Headlines

Value for Money (VFM) arrangements	
Under the National Audit Office (NAO) Code of Audit Practice ('the Code'), we are required to consider whether the Council has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources. Auditors are now required to report in more detail on the Council's overall arrangements, as well as key recommendations on any significant weaknesses in arrangements identified during the audit. Auditors are required to report their commentary on the Council's arrangements under the following specified criteria: - Improving economy, efficiency and effectiveness; - Financial sustainability; and - Governance	We are currently completing an assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources which covers both the 2021-22 and 2022-23 financial years. Our work to date has not identified any risks of significant weakness in the Council's arrangements.
Statutory duties	
The Local Audit and Accountability Act 2014 ('the Act') also requires us to: • report to you if we have applied any of the additional powers and duties ascribed to us under the Act; and • to certify the closure of the audit.	We have not exercised any of our additional statutory powers or duties. We expect to certify the completion of the audit upon the completion of our work on the Council's VFM arrangements, which will be reported in our Annual Auditor's report.
Significant matters	The Council originally published draft 2021-22 financial statements in July 2022. It was agreed that following amendments to the 2020-21 accounts and the findings of a GT technical "hot review" a revised version of accounts would be produced in January 2023. Our audit fieldwork has been performed on this revised version, and our audit findings report identifies adjustments between this revised version and the most recent amended version of the financial statements received in June 2023. Our work on property revaluations is still in progress. We are currently unable to complete this work as, although some information has been received from the Council's external valuer, other information requested from the valuer in March 2023 has not yet been received; The information requested from the external valuer was received in October 2023. The valuer's responses identified that a number of changes were required to the valuations previously used to produce the 2021-22 financial statements. As these errors were not material either individually or in aggregate, or when considered with other unadjusted errors, management decided not to adjust the accounts for these errors. We concluded that there was no material issue for our opinion in relation to the unadjusted valuation errors. Further information is included at page 13 and Appendix C.

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2. Financial Statements

Overview of the scope of our audit

This Audit Findings Report presents the observations arising from the audit that are significant to the responsibility of those charged with governance to oversee the financial reporting process, as required by International Standard on Auditing (UK) 260 and the Code of Audit Practice ('the Code'). Its contents have been discussed with management.

As auditor we are responsible for performing the audit, in accordance with International Standards on Auditing (UK) and the Code, which is directed towards forming and expressing an opinion on the financial statements that have been prepared by management with the oversight of those charged with governance. The audit of the financial statements does not relieve management or those charged with governance of their responsibilities for the preparation of the financial statements.

Audit approach

Our audit approach was based on a thorough understanding of the Council's business and is risk based, and in particular included:

- An evaluation of the Council's internal controls environment, including its IT systems and controls; and
- Substantive testing on significant transactions and material account balances, including the procedures outlined in this report in relation to the key audit risks.

Timeline for the 2021-22 audit

The Council originally published draft 2021-22 financial statements in July 2022.

Given the nature of the issues identified in the 2020-21 accounts our risk assessment framework required a detailed review (or "hot review") of the 2021-22 draft accounts by our audit technical team. We shared the outcomes from this review with management in November 2022.

A series of amendments to the 2020-21 accounts agreed after July 2022 also had implications for the 2021-22 accounts. Given the issues identified by the hot review and the outcomes from our 2020-21 audit it was agreed that a revised draft of the 2021-22 accounts would be produced before the start of the 2021-22 audit.

The need to prioritise other finance team work meant that a revised draft was first made available on 11 January 2023. This initial draft excluded the Cash Flow Statement; a complete version of accounts including the Cash Flow Statement was made available on 20 February 2023. In February we identified that the January 2023 accounts did not properly reflect the analysis per the Council's fixed asset register, and a further updated version of the accounts was produced to facilitate audit testing.

Our audit fieldwork has been performed on this January 2023 revised version of accounts, which contained a significant number of material changes to the version published in July 2022. This Audit Findings Report identifies adjustments between the January 2023 version of the financial statements and the most recent amended version of the financial statements received in June 2023. The report also takes into account a number of amendments to the June 2023 financial statements which have been agreed with management.

The overall volume of our audit work has increased in 2021-22, in part due the continuing impact of FRC requirements, changes to auditing and accounting standards, and developments in our audit approach. However, the most significant impact has arisen from the technical "hot review" process. The review has raised a series of technical issues which have required work by management to investigate the issues and provide updated working papers to explain the Council's current or proposed approach. The technical capacity within the Council's finance team is limited and given the competing demands on finance team time over this period it has not been possible to clear all of these queries promptly. Although an initial management assessment and agreement to responses in principle was completed by March 2023, the process of providing updated working papers for review by audit and making accounts amendments has continued through to June 2023. Progress in May and June has been limited due to management focus on 2022-23 accounts closedown and GT work on NHS accounts. Areas where technical queries are still in progress at the date of this report include issues relating to heritage assets and the accounting treatment for the acquisition of Maidstone House.

2. Financial Statements

Our approach to materiality

The concept of materiality is fundamental to the preparation of the financial statements and the audit process and applies not only to the monetary misstatements but also to disclosure requirements and adherence to acceptable accounting practice and applicable law.

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In our audit plan we reported a materiality level of £1,950,000. Based on the total expenditure reported in the draft financial statements we updated our materiality to £2,049,000.

	Council amount (£)	Qualitative factors considered
Materiality for the financial statements	2,049,000	This is approximately 2% of gross revenue expenditure.
Performance materiality	1,537,000	Calculated as 75% of headline materiality. This is a measure used in audit testing based upon our assessment of the likelihood of a material misstatement in the financial statements.
Trivial matters	102,000	This is 5% of materiality.
Materiality for disclosures relating to officer's remuneration and exit packages	100,000	Additional inherent sensitivity around such disclosures.

2. Financial statements – significant risks

Significant risks are defined by ISAs (UK) as risks that, in the judgement of the auditor, require special audit consideration. In identifying risks, audit teams consider the nature of the risk, the potential magnitude of misstatement, and its likelihood. Significant risks are those risks that have a higher risk of material misstatement.

This section provides commentary on the significant audit risks communicated in our September 2022 Audit Plan.

Risks identified in our Audit Plan	Commentary
Management override of controls Under ISA (UK) 240 there is a non-rebuttable presumed risk that the risk of management over-ride of controls is present in all entities. We therefore identified management override of control as an area of significant risk. The related areas of risk include management estimates, use of journals and any significant transactions outside the Council's normal course of business.	To address this risk we: • evaluated the design effectiveness of management controls over journals; • analysed the journals listing and determined the criteria for selecting high risk unusual journals; • identified and tested unusual journals made during the year and the accounts production stage for appropriateness and corroboration; and • gained an understanding of the accounting estimates and critical judgements applied by management and considered their reasonableness. Our audit work to date has not identified any issues in respect of this risk. Our audit work is now complete. We have not identified any issues in respect of this risk.
Improper revenue recognition Under ISA (UK) 240 there is a rebuttable presumed risk that revenue may be misstated due to the improper recognition of revenue. This presumption can be rebutted if the auditor concludes that there is no risk of material misstatement due to fraud relating to revenue recognition.	Having considered the risk factors set out in ISA240 and the nature of the revenue streams at the Council we have determined that the risk of fraud arising from revenue recognition can be rebutted because: • there is little incentive to manipulate revenue recognition; • opportunities to manipulate revenue recognition are very limited; and • the culture and ethical frameworks of local authorities mean that all forms of fraud are seen as unacceptable. Our audit work has not identified any issues which would lead us to change our conclusion at the planning stage that the risk of fraud arising from revenue recognition can be rebutted.

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of land and buildings The Council revalues its land and buildings on a rolling five year cycle, with major assets revalued annually. This valuation represents a significant estimate by management in the financial statements due to the values involved and the sensitivity of this estimate to changes in key assumptions. We therefore identified the valuation of land and buildings as a significant risk.	To address this risk we: • evaluated management's processes and assumptions for the calculation of the estimate, including the instructions issued to the Council's external valuer and the scope of their work; • evaluated the competence, capabilities and objectivity of the external valuer, and challenged the information and assumptions used by the valuer; • tested, on a sample basis, revaluations made during the year to ensure they had been input correctly into the Council's asset register; and • evaluated how management concluded that the carrying value of assets not revalued was not materially misstated. Our work in this area is still in progress. The conclusions from our work to date are reported at the section "Financial statements – key judgements and estimates". Our audit work is now complete. Our conclusions are reported at the section "Financial statements – key judgements and estimates".

2. Financial statements – significant risks

Risks identified in our Audit Plan	Commentary
Valuation of pension fund net liability The Council's pension fund net liability, as reflected in its balance sheet as the net defined benefit liability, represents a significant estimate in the financial statements. The pension fund net liability is considered a significant estimate due to the values involved and the sensitivity of the estimate to changes in key assumptions. The methods applied in the calculation of the IAS 19 estimates are routine and commonly applied by all actuarial firms in line with the requirements set out in the Code of practice for local government accounting (the applicable financial reporting framework). We have therefore concluded that there is not a significant risk of material misstatement in the IAS 19 estimate due to the methods and models used in their calculation. The source data used by the actuaries to produce the IAS 19 estimates is provided by administering authorities and employers. We do not consider this to be a significant risk as this is easily verifiable. The actuarial assumptions used are the responsibility of the entity but should be set on the advice given by the actuary. A small change in the key assumptions (discount rate, inflation rate, salary increase and life expectancy) can have a significant impact on the estimated IAS 19 liability. We have therefore concluded that there is a significant risk of material misstatement in the IAS 19 estimate due to the assumptions used in their calculation, and have identified valuation of the Council's pension fund net liability as a significant risk.	To address this risk we: • updated our understanding of the processes and controls put in place by management to ensure that the Council's pension fund net liability is not materially misstated, and evaluated the design of the associated controls; • evaluated the instructions issued by management to the actuary as management's expert, and the scope of the actuary's work; • assessed the competence, capabilities and objectivity of the actuary; • assessed the accuracy and completeness of the information provided by the Council to the actuary; • tested the consistency of the pension fund disclosures in the financial statements with the actuary's report; • confirmed the reasonableness of the actuarial assumptions made by reviewing the report of the consulting actuary (as auditor's expert) and performing any additional procedures suggested within the report; and • obtained assurances from the auditor of Kent Pension Fund as to the controls surrounding the validity and accuracy of membership data, contributions data and benefits data sent to the actuary by the pension fund and the fund assets valuation in the pension fund financial statements. Our audit work to date has not identified any issues in respect of this risk. **Triennial revaluation of the Kent Pension Fund** The Council is a scheduled body to the Kent Pension Fund. The latest triennial valuation for the Fund, which is as at 31 March 2022, has recently been published. This valuation provides updated information for the net pension liability as at 31 March 2022, particularly in respect of membership data and demographic assumptions. As a result we have asked management to obtain a revised report from the Council's actuary detailing the impact of this updated information on the Council's net pension liability disclosures. We anticipate that the updated information will have a material impact on these disclosures and will therefore require amendments to the Council's 2021-22 financial statements. Where there is a material impact on the financial statements additional audit work will be required to: • obtain assurance in respect of the updated membership data; • consider the reasonableness of any revised assumptions and estimates; and • check the accuracy of management's adjustments to the financial statements. A revised report was obtained by management in September 2023. The report clarified that the impact of the triennial valuation on the Council's net pension liability was material, with an overall reduction of £7,472,000 in the Council's net pension liability. Management have therefore amended the financial statements. Further information is included at slide 19 and Appendix C.

2. Financial statements – other risks

Risks identified in our Audit Plan	Commentary
Fraud in expenditure recognition As most public bodies are net spending bodies, then the risk of material misstatement due to fraud related to expenditure recognition may be greater than the risk of fraud related to revenue recognition. There is a risk the Council may manipulate expenditure to budgets and set targets and we had regard to this when planning and performing our audit procedures. Management could defer recognition of expenditure by under-accruing for expenses that have been incurred during the period but which were not paid until after the year-end or not record expenses accurately in order to improve the financial results.	To address this risk we: • inspected transactions around the end of the financial year to assess whether they had been included in the correct accounting period; • inspected a sample of accruals made at year end for expenditure not yet invoiced to assess whether the valuation of the accrual was consistent with the value billed after the year; and • investigated post yearend and manual journals as part of our journal testing procedures and considered if there was evidence of fraud in expenditure recognition. Our work to date has not identified any issues in respect of this risk. Our audit work is now complete. We have not identified any issues in respect of this risk.

2. Financial statements – key judgements and estimates

This section provides commentary on key estimates and judgements in line with the enhanced requirements for auditors.

Significant judgement or estimate	Summary of management's approach	Audit conclusion	Assessment
Valuations: PPE Land and Buildings: £129,257,000 Investment property: £43,391,000 Heritage assets: £10,433,000	Other land and buildings comprise specialised assets such as the leisure centre and theatre which are required to be valued at depreciated replacement cost (DRC) at year end, reflecting the cost of a modern equivalent asset necessary to deliver the same service provision. Land and buildings which are not specialised in nature are required to be valued at existing use in value (EUV) at year end. The Council has engaged Harrisons Chartered Surveyors to complete the valuation of properties as at 31 March 2022. Management have also considered if there has been a material change in carrying value for properties not revalued during the year. Management have concluded that there has been no material change in value for these properties during 2021-22. **Engagement with the Council's external valuer** Our work on revaluations involves detailed testing of valuations for the following individual assets: - 26 PPE assets - 20 investment property assets This required us to obtain information from the Council's external valuer on the underlying calculations, assumptions and source data. We first requested information from the external valuer relating to the 26 PPE assets on 21.2.23, and for the 20 investment property assets on 8.3.23. We then met with the external valuer to discuss the queries relating to PPE assets on 14.3.23. It was agreed that the remaining responses to queries would be provided promptly. However, this did not happen, despite what we understand were repeated attempts by the Council's finance team to engage with the valuer. Responses relating to the 26 PPE assets were eventually received on 21.6.23. An initial review indicates that there are 8 assets for which the responses are not complete. At the date of this report no responses have been received to the queries on the 20 investment property assets first raised in March 2023. We will be unable to complete our work on the valuation of land and buildings until the information requested from the external valuer has been received.	Our work is now complete. We have identified a number of errors above the level which we are required to report to those charged with governance – further details are included at Appendix C.	**Light purple**

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Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit conclusion	Assessment
Valuations: PPE Land and Buildings: £129,257,000 Investment property: £43,391,000 Heritage assets: £10,433,000	We obtained responses from the Council's external valuer in October 2023. The valuer's responses identified that a number of changes were required to the valuations previously used to produce the draft 2021-22 financial statements: • for a number of investment property valuations the yield information used by the external valuer in calculations was either incorrect or not up to date. As a result, investment property assets were overstated by £0.761m. • the value included in the fixed asset register and in the financial statements for Maidstone Museum differed from the external valuer's report. As a result, PPE assets were overstated by £0.315m. • for a number of valuations the asset life used in the external valuer's calculations was incorrect. As a result, PPE assets were overstated by £0.179m. As these errors were not material either individually or in aggregate, or when considered with other unadjusted errors, management decided not to adjust the accounts for these errors. We concluded that there was no material issue for our opinion in relation to the unadjusted valuation errors.		**Light purple**

Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit conclusion	Assessment
	Valuation of heritage assets The draft financial statements included a balance of £10,433,000 for heritage assets. Of this balance £9,090,000 related to museum exhibits. The CIPFA Code states that "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current". In our 2020-21 Audit Findings Report we noted that the relevant exhibits had not been revalued for many years. It was therefore unclear how far the closing valuation used in the 2020-21 financial statements remained current. Management have reviewed this balance and the relevant underlying museum records. They have concluded that there is no clear trail to support the historic valuations for many of the museum exhibits previously included on the balance sheet. A catalogue of assets held in the Council's Collections Management System (Adlib) has around 10,000 items for which valuations are recorded; management believe that this record should more appropriately form the basis for disclosures in the financial statements. Using this listing the valuation to be included for museum exhibits would be £14,815,000. Management has now performed a further analysis which identified that the total of £14.815m museum exhibits included items on loan to the Museum. Excluding items not owned by the Council, the updated total for museum exhibits to be included on the Council's balance sheet is £12.006m – an increase of £2.915m on the £9.09m heritage assets balance included in the 2021-22 draft financial statements. We agreed with management that a prior period adjustment is required. The financial statements have been amended in line with this. We have considered management's approach and concluded there is no material issue for our opinion in relation to heritage assets. We noted that many of the valuations on the Adlib record also date from many years ago. Management propose a rolling programme of work over 3-5 years to revalue all items over £50,000. However, we are currently discussing with management how far the current records will support the inclusion of valuations in the 2021-22 financial statements. Any material changes using information which was available in previous years may also require a prior period adjustment. The disclosure on heritage assets includes a number of categories other than museum exhibits. We agreed that additional assets with a value of £625,000 per the Council's records should be included under these other headings. Management decided not to adjust the accounts to include the assets with a value of £0.625m as the amount was not material. The issue is reported at Appendix C as an unadjusted misstatement.	Our work is now complete. We have identified the heritage assets adjustment detailed in Appendix C and a prior period adjustment to the 2020-21 heritage assets balance is required.	**Light purple**

Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit conclusion	Assessment
	Componentisation of assets The CIPFA Code of Practice on Local Authority Accounting (paragraph 4.1.2.43) requires that each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost shall be depreciated separately (componentisation). The Council does not currently have an accounting policy on asset componentisation and does not apply componentisation when depreciating its assets. This is not consistent with the Code. Typically smaller component assets such as boilers have shorter asset lives, and therefore annual depreciation on the Council's asset base is likely to be understated. The size of any misstatement cannot be easily quantified. However, we noted that the Council's largest assets are revalued annually, and that accumulated depreciation on these assets will be written off at that point. Depreciation charges are also capital transactions which are subject to adjusting entries through the Movement in Reserves Statement, and therefore are transactions which will have no impact on the General Fund balance. We concluded that the issue was not material for our opinion. However, we recommend that management agree an accounting policy for asset componentisation and use this as the basis for depreciation calculations in future year. **Asset lives for infrastructure assets** Infrastructure assets are carried at cost on the balance sheet. The Council's policy is to depreciate infrastructure assets over 20 years. We noted that at other authorities infrastructure assets are typically depreciated over 50 years. At 31 March 2022 the Council had infrastructure assets with a gross cost of £6,455,000 and a net book value of £2,313,000. We noted that the Council's infrastructure assets include two steel footbridges with a gross cost of £3,382,000. These assets were almost fully depreciated at 31 March 2022.		Light purple

Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit conclusion	Assessment
	We queried if these assets had a significant remaining useful life. Management advised that there is an annual technical assessment of the bridges and that this had concluded they continued to be in good condition. However, this assessment did not provide an estimate of future useful life. Management advised that obtaining this information would potentially require input from an external expert at additional cost. Given that these assets will soon be fully depreciated the Council will need to re-assess their useful asset life at that point. We recommend the Council investigate how best to arrive at an appropriate estimate to support its depreciation calculations. Management has determined that the two footbridges should be depreciated over a period of 50 years. The 2012-22 financial statements have been amended. The impact has been to increase the total for infrastructure assets by £1.890m. **Acquisition of Maidstone House** In December 2021 the Council entered in to a 199-year lease agreement for Maidstone House. The agreement involved a one-off payment of £7,070,000 on completion. There are no future payments to the lessor. In the Council's accounts this acquisition was treated as a purchase of Property Plant and Equipment. We have considered this arrangement and concluded that it meets the criteria to be classified as a finance lease. We are currently discussing with management the appropriate accounting treatment for the 2021-22 accounts. We have agreed that, irrespective of the accounting treatment, additional disclosure will be required to identify the property as a finance leased asset. Additional disclosure has now been added at Note 33 to the accounts.	Refer to amendment detailed in Appendix C.	Light purple

Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial Statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit conclusion	Assessment
	Assets not revalued – temporary housing accommodation properties The balance sheet included a total of £17.090m for PPE Land and Building assets which had last been revalued in years prior to 2021-22. The Code of Practice on Local Authority Accounting requires that where the basis of valuation is current value "revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using the current value at the end of the reporting period". Of the assets not revalued at 31 March 2022 a total of £10.282m related to temporary housing accommodation. We noted that these assets had all been revalued at 31 March 2023, with a total valuation of £16.070m. Allowing for market movements this indicated that the valuation included in the 2021-22 financial statements was potentially understated by a material amount. Management decided to adjust the valuation for the temporary housing accommodation assets in the 2021-22 accounts. Following consultation with the Council's external valuer land registry indices, based on market sales information, were applied to the valuations at 31 March 2023 to provide valuations at 31 March 2022. The impact was to increase the valuation of PPE land and buildings in the 2021-22 financial statements by £4.887m. We considered the valuation approach adopted by management, including the use of indices. We identified that due to an error by the external valuer the total of £4,887,000 used to adjust the 2021-22 financial statements was understated by £0.339m. As this error was not material management decided not to adjust the accounts – this is recorded in unadjusted misstatements within Appendix C. We agreed that the Council's approach would be disclosed as a critical judgement in applying an accounting policy.	We considered if the carrying amount for those other assets last revalued in years prior to 2021-22 was materially different from current value. We concluded that there was no material issue for our opinion.	**Light purple**

Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Summary of management's approach	Audit comments	Assessment
Net pension liability – LGPS £85,362,000	At 31 March 2022 the Council has a net pension liability of £85,362,000 relating to the Local Government Pension Scheme as administered by Kent County Council. The Council uses an external actuary, Barnett Waddingham, to provide an actuarial valuation of the Council's assets and liabilities under the scheme. A full valuation is required every three years. A roll forward approach is used in intervening periods. The valuations are based on key assumptions such as life expectancy, discount rates, salary growth and investment return. Given the significant value of the net pension fund liability small changes in assumptions can result in significant valuation movements. For 2021-22 contribution rates for the LGPS scheme continue to be based on the triennial revaluation as at 31 March 2019. A full revaluation has now been performed as at 31 March 2022.	We engage an auditor's actuary to assess the work of management's actuary and the reasonableness of the approach used. The auditors' actuary has provided us with indicative ranges for assumptions, which we report below. To date our work review of the Council's net pension liability has not identified any issues. However, we have asked management to obtain an updated report from the Council's actuary detailing the impact of the triennial revaluation on the Council's net pension liability disclosures as at 31 March 2022. If the impact on the 2021-22 financial statements is material additional audit procedures will be required.	Light purple

Assumption	Actuary Value	PwC range	Within range?
Discount rate	2.6%	2.55 -2.60%	✓
Pension increase rate	3.2%	3.05 -3.45%	✓
Salary growth	4.2% 4.3%	CPI + 1% CPI + 1%	✓ ✓
Life expectancy – Males currently aged 45 aged 65	23.0 21.6	21.9 - 24.4 20.5 – 23.1	✓ ✓
Life expectancy – Females currently aged 45 aged 65	25.1 23.7	24.9 - 26.4 23.4 – 25.0	✓ ✓

Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – key judgements and estimates

Significant judgement or estimate	Audit comments	Assessment
Net pension liability – LGPS £85,362,000	**Triennial revaluation of the Council's net pension liability** The latest triennial valuation for Kent Pension Fund was published in late 2022. This valuation, which is at 31 March 2022, provides updated information for the net pension liability on the Council's balance sheet, particularly in respect of membership data and demographic assumptions. We considered that the triennial valuation would contain information better reflecting the conditions that existed as at 31 March 2022. We therefore requested management to obtain a revised report from the Council's actuary, detailing what impact this updated information had on the Council's net pension liability disclosures at 31 March 2022. A revised report was obtained by management in September 2023. The report clarified that the impact of the triennial valuation on the Council's net pension liability was material, with the Council's share of the Pension Fund assets increasing by £1.353m and its share of the Pension Fund liabilities decreasing by £6.119m, leading to an overall reduction of £7.472m in the Council's net pension liability. Management has amended the 2021-22 financial statements in line with these changes. We have now completed our work to review the updated actuary's report and the amendments to the accounts. We have concluded there are no material issues for our opinion in relation to the net pension liability.	Light purple

Assessment

- Dark purple We disagree with the estimation process or judgements that underpin the estimate and consider the estimate to be potentially materially misstated
- Blue We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider optimistic
- Grey We consider the estimate is unlikely to be materially misstated however management's estimation process contains assumptions we consider cautious
- Light purple We consider management's process is appropriate and key assumptions are neither optimistic or cautious

2. Financial statements – other communication requirements

We set out below details of other matters which we, as auditors, are required by auditing standards and the Code to communicate to those charged with governance.

Issue	Commentary
Matters in relation to fraud	We have previously discussed the risk of fraud with management. We have not been made aware of any significant incidents in the period. No other issues have been identified during the course of our audit procedures.
Matters in relation to related parties	We are not aware of any related parties or related party transactions which have not been disclosed.
Matters in relation to laws and regulations	You have not made us aware of any significant incidences of non-compliance with relevant laws and regulations and we have not identified any incidences from our audit work.
Written representations	A letter of representation has been requested from the Council.
Confirmation requests from third parties	We seek external confirmations from relevant banks and financial institutions to support our review of the Council's year-end cash and investment balances. For one balance we did not receive a response and used alternative procedures to obtain the assurance required for our opinion purposes. We received positive confirmation for all other balances.
Accounting practices	We have evaluated the appropriateness of the Council's accounting policies, accounting estimates and financial statement disclosures. Our review found no material omissions in the financial statements.
Audit evidence and explanations/ significant difficulties	At the date of this report we have not obtained all of the information requested from the Council's external valuer. The information requested from the external valuer was received in October 2023.

2. Financial Statements – other communication requirements

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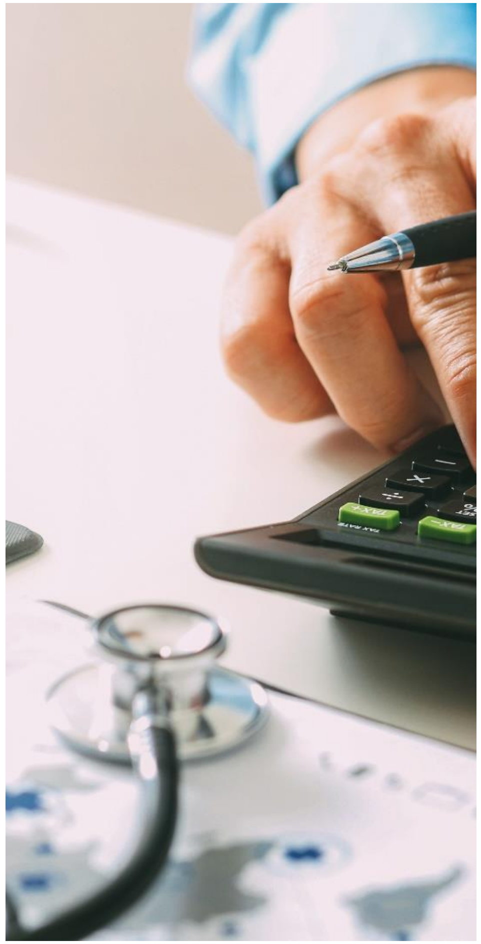
Our responsibility

As auditors, we are required to "obtain sufficient appropriate audit evidence about the appropriateness of management's use of the going concern assumption in the preparation and presentation of the financial statements and to conclude whether there is a material uncertainty about the entity's ability to continue as a going concern" (ISA (UK) 570).

Issue	Commentary
Going concern	In performing our work on going concern, we have had reference to Statement of Recommended Practice – Practice Note 10: Audit of financial statements of public sector bodies in the United Kingdom (Revised 2020). The Financial Reporting Council recognises that for particular sectors, it may be necessary to clarify how auditing standards are applied to an entity in a manner that is relevant and provides useful information to the users of financial statements in that sector. Practice Note 10 provides that clarification for audits of public sector bodies. Practice Note 10 sets out the following key principles for the consideration of going concern for public sector entities: • the use of the going concern basis of accounting is not a matter of significant focus of the auditor's time and resources because the applicable financial reporting frameworks envisage that the going concern basis for accounting will apply where the entity's services will continue to be delivered by the public sector. In such cases, a material uncertainty related to going concern is unlikely to exist, and so a straightforward and standardised approach for the consideration of going concern will often be appropriate for public sector entities; and • for many public sector entities, the financial sustainability of the reporting entity and the services it provides is more likely to be of significant public interest than the application of the going concern basis of accounting. Our consideration of the Council's financial sustainability is addressed by our value for money work, which is covered elsewhere in this report. Practice Note 10 states that if the financial reporting framework provides for the adoption of the going concern basis of accounting on the basis of the anticipated continuation of the provision of a service in the future, the auditor applies the continued provision of service approach set out in Practice Note 10. The financial reporting framework adopted by the Council meets this criteria, and so we have applied the continued provision of service approach. In doing so, we have considered and evaluated: • the nature of the Council and the environment in which it operates; • the Council's financial reporting framework; • the Council's system of internal control for identifying events or conditions relevant to going concern; and • management's going concern assessment. On the basis of this work, we have obtained sufficient appropriate audit evidence to enable us to conclude that: • a material uncertainty related to going concern has not been identified; and • management's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

2. Financial statements – other responsibilities under the Code

Issue	Commentary
Other information	We are required to give an opinion on whether the other information published together with the audited financial statements including the Narrative Report is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. Our work to date has not identified any inconsistencies. Subject to the completion of all outstanding work we plan to issue an unmodified opinion in this respect.
Matters on which we report by exception	We are required to report on a number of matters by exception in a number of areas: • if the Annual Governance Statement does not comply with disclosure requirements set out in CIPFA/SOLACE guidance or is misleading or inconsistent with the information of which we are aware from our audit; • if we have applied any of our statutory powers or duties; and/or • where we are not satisfied in respect of arrangements to secure value for money and have reported a significant weakness. Subject to the completion of our work on the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources we have nothing to report on these matters.
Specified procedures for Whole of Government Accounts	We are required to carry out specified procedures (on behalf of the NAO) on the Whole of Government Accounts (WGA) consolidation pack under WGA group audit instructions. We have confirmed that the Council does not exceed the thresholds specified by the National Audit Office for 2021-22. As such no detailed work will be required.
Certification of the closure of the audit	We intend to delay the certification of the closure of the 2021-22 audit as our VFM work is not yet complete.



3. Value for Money arrangements

Approach to Value for Money work for 2021-22

The National Audit Office issued its guidance for auditors in April 2020. The Code require auditors to consider whether the body has put in place proper arrangements to secure economy, efficiency and effectiveness in its use of resources.

When reporting on these arrangements, the Code requires auditors to structure their commentary on arrangements under the three specified reporting criteria.

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Improving economy, efficiency and effectiveness

Arrangements for improving the way the body delivers its services. This includes arrangements for understanding costs and delivering efficiencies and improving outcomes for service users.

Financial Sustainability

Arrangements for ensuring the body can continue to deliver services. This includes planning resources to ensure adequate finances and maintain sustainable levels of spending over the medium term (3-5 years).

Governance

Arrangements for ensuring that the body makes appropriate decisions in the right way. This includes arrangements for budget setting and management, risk management, and ensuring the body makes decisions based on appropriate information.

Potential types of recommendations

A range of different recommendations could be made following the completion of work on the body's arrangements to secure economy, efficiency and effectiveness in its use of resources, which are as follows:

Statutory recommendation

Written recommendations to the body under Section 24 (Schedule 7) of the Local Audit and Accountability Act 2014. A recommendation under schedule 7 requires the body to discuss and respond publicly to the report.

Key recommendation

The Code of Audit Practice requires that where auditors identify significant weaknesses in arrangements to secure value for money they should make recommendations setting out the actions that should be taken by the body. We have defined these recommendations as 'key recommendations'.

Improvement recommendation

These recommendations, if implemented should improve the arrangements in place at the body, but are not made as a result of identifying significant weaknesses in the body's arrangements

3. VFM – our procedures and conclusions

We are currently completing our assessment of the Council's arrangements to secure economy, efficiency and effectiveness in its use of resources. Our assessment covers both the 2021-22 and 2022-23 financial years. As we have not yet completed all of our VFM work we are not in a position to issue our Auditor's Annual Report.

As part of our work we consider whether there are any risks of significant weakness in the Council's arrangements. We have not identified any risks of significant weakness in the Council's arrangements from our work to date.

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4. Independence and ethics

We confirm that there are no significant facts or matters that impact on our independence as auditors that we are required or wish to draw to your attention. We have complied with the Financial Reporting Council's Ethical Standard and confirm that we, as a firm, and each covered person, are independent and are able to express an objective opinion on the financial statements.

We confirm that we have implemented policies and procedures to meet the requirements of the Financial Reporting Council's Ethical Standard and we as a firm, and each covered person, confirm that we are independent and are able to express an objective opinion on the financial statements.

Further, we have complied with the requirements of the National Audit Office's Auditor Guidance Note 01 issued in May 2020 which sets out supplementary guidance on ethical requirements for auditors of local public bodies.

Details of fees charged are detailed in Appendix D.

Transparency

Grant Thornton publishes an annual Transparency Report, which sets out details of the action we have taken over the past year to improve audit quality as well as the results of internal and external quality inspections. For more details see Transparency report 2020 (grantthornton.co.uk).

4. Independence and ethics

Audit and non-audit services

For the purposes of our audit we have made enquiries of all Grant Thornton UK LLP teams providing services to the Council. The following non-audit services were identified as well as the threats to our independence and safeguards that have been applied to mitigate these threats.

Service		Fees £	Threats identified	Safeguards
Audit related				
Certification of Housing Benefit Subsidy Claim	Fees relating to financial year 2021-22	18,400	Self-interest (because this is a recurring fee)	The level of this recurring fee taken on its own is not considered a significant threat to independence as the planned fee for this work in 2021-22 is £18,400, and the total fees either relating to 2021-22 or invoiced in the audit period are £51,400, in comparison to the planned fee for the audit of £64,666 and in particular relative to Grant Thornton UK LLP's overall turnover. Further, in each year the fee for this work is a fixed fee and there is no contingent element to it. These factors all mitigate the perceived self-interest threat to an acceptable level.
	Fees relating to 2020-21 invoiced in the audit period	25,000		
	Fees relating to 2022-23 invoiced in the audit period	8,000	Self-review (because GT provides audit services)	The self-review threat is mitigated by the materiality of the amounts involved relative to our opinion. We also note that the Council has informed management who will decide whether to amend the claim for our findings and who will agree the accuracy of the report we issue as the Reporting Accountant.

Appendices

A. Action plan – Audit of financial statements

We have identified recommendations for the Council as a result of issues identified during the course of our audit. We have agreed our recommendations with management and we will report on progress on these recommendations during the course of the 2021-22 audit. The matters reported here are limited to those deficiencies that we have identified during the course of our audit and that we have concluded are of sufficient importance to merit being reported to you in accordance with auditing standards.

Assessment	Issue and risk	Recommendations
	The Council does not currently have an accounting policy on asset componentisation and does not apply componentisation when depreciating its assets.	We recommend that management agree an accounting policy for asset componentisation and use this as the basis for depreciation calculations in future years. **Management response** *Response to follow*
	The Council's infrastructure assets include two steel footbridges which are almost fully depreciated as at 31 March 2022. We understand that the most recent technical assessment of the bridges has concluded that they continue to be in good condition, but did not provide an estimate of future useful life.	As these assets will soon be fully depreciated the Council will need to re-assess their useful asset life at that point. We recommend the Council investigate how best to arrive at an appropriate estimate to support its depreciation calculations. **Management response** Management have now decided that the two footbridges should be depreciated over a period of 50 years. The 2021-22 accounts have been amended. The impact has been to increase the total for infrastructure assets by £1.890m.

Controls

- High – Significant effect on financial statements
- Medium – Limited effect on financial statements
- Low – Best practice

B. Follow up of prior year recommendations

We identified the following issues in the audit of the Council's 2020-21 financial statements, which resulted in recommendations being reported in our 2020-21 Audit Findings report. We record here our follow-up on the implementation of these recommendations.

Assessment	Issue and risk previously communicated	Update on actions taken to address the issue
✓	The statutory accounting requirements per the CIPFA code include the use of a Capital Grants Unapplied Account. The Council does not include a Capital Grants Unapplied Account in its financial statements. We recommended that the value of transactions meeting the criteria to be accounted for as capital grants unapplied is assessed as part of closedown procedures in future years, Where transactions meeting the criteria are identified then these should be processed through a capital grants unapplied account.	Management performed an assessment to identify balances meeting the criteria for classification as capital grants unapplied as part of yearend closedown procedures. As the balance was not material the accounts were not adjusted.
✓	Management presented its draft financial statements to the 28 July 2021 Audit Governance and Standards Committee. In practice further work was required to finalise the accounting entries in respect of property, plant and equipment. A revised version of accounts with material changes relating to these disclosures was published on 29 July 2021. We recommend that the Council reviews its closedown timetable for 2021-22 to minimise the risk that the financial statements will need be re-published.	The Council published its draft accounts on 18 July 2022. The 2021-22 financial statements have not been re-published.
✓	The balance for heritage assets included £9,090,000 representing the value of museum exhibits which were last formally valued on 1 April 2011. The CIPFA Code states that "where heritage assets are measured at valuation, the carrying amount shall be reviewed with sufficient frequency to ensure the valuations remain current". It is unclear how far the valuation used in the 2020-21 financial statements remains current.. We recommend that management should perform sufficient work to satisfy themselves that the valuation for the museum exhibits included in the financial statements remains current. This may also be relevant for insurance purposes.	Management have reviewed this balance and the relevant underlying museum records. They have concluded that there is no clear trail to support the historic valuations for many of the museum exhibits previously included on the balance sheet. Management now propose to update the figure in the financial statements using information from the Council's Collections Management System. However, many of the valuations recorded on this system also date from many years ago and therefore it is unclear if they are current. We are discussing with management how far the records per the Collections Management System will support the inclusion of valuations in the 2021-22 financial statements. Management have now updated the total for heritage assets in the financial statements, increasing the balance by £2,915,000. We have considered management's approach and concluded that there is no material issue for our opinion in relation to heritage assets.

Assessment ✓ Action completed **X** Not yet addressed

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C. Audit adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Impact of adjusted misstatements

All adjusted misstatements are set out in detail below along with the impact on the key statements and the reported net expenditure for the year ending 31 March 2022.

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
Long term Debtors Short term Debtors A calculation to split debtors between short and long term was incorrect leading to an overstatement of the long-term debtor balance and an understatement of the short- term creditor balance by £2.13m.		(2,130) 2,130	
PPE Investment Property An amount of £1,109k relating to Springfield Mill had been classified as PPE Assets Under Construction but should have been classified under Investment Property.		(1,109) 1,109	
PPE Investment property Due to a posting error an amount of £106k had been classified as PPE Assets Under Construction but should have been classified under Investment Property.		(106) 106	
Carry forward total	0	0	0

C. Audit adjustments

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
Total (b/f)	0	0	0
Heritage Assets Revaluation reserve Supporting trails could not be provided to support the balance for heritage assets included in the draft financial statements. Management have now updated the total valuation using information from the Maidstone Museum cataloguing system. The impact is to increase the balance for heritage assets by £2,195,000.	2,915	2,915 (2,915)	2,915
Infrastructure assets Capital adjustment Account It was agreed that two footbridges, previously depreciated over 20 years, would be more properly depreciated over 50 years. The impact was to increase the total for infrastructure assets by £1,890,000.	1,890	1,890 (1,890)	1,890
Capital Grants Received in Advance Capital Grants Unapplied We agreed that an amount of £1,172,000 which had been classified as Capital Grants Received in Advance should be accounted for as Capital Grants Unapplied.		(1,172) 1,172	
Carry forward total	4,805	0	4,805

C. Audit adjustments

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
Total (b/f)	4,805	0	4,805
CIES: Cost of Services CIES: Taxation & Non-Specific Grant Income Covid 19 grants totalling £1.259m had been accounted for as specific grants but should have been accounted for as non ring-fenced grants and therefore disclosed at the line for Taxation & Non-Specific Grant Income.	1,259 (1,259)		
PPE Revaluation Reserve Capital Adjustment Account Valuations for the Council's temporary housing properties had not been updated as at 31.3.22. It was agreed that the valuations for these assets should be updated. The impact was to increase the balance for PPE assets by £4,844,000.	4,887	4,887 (4,707) (180)	4,887
Carry forward total	9,692	0	9,692

C. Audit adjustments

Impact of adjusted misstatements (continued)

Detail	Comprehensive Income and Expenditure Statement £000	Balance Sheet £000	Impact on total net expenditure £000
Total (b/f)	9,692	0	9,692
Net pension liability Pensions Reserve Management obtained a revised report from the Council's actuary detailing the impact of the triennial revaluation of the Kent Pension Fund at 31.3.22 on the Council's net pension liability. The impact was to reduce the Council's net pension liability by £7,472,000.	(7,472)	(7,472) 7,472	(7,472)
Total	2,220	0	2,220

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C. Audit adjustments

Impact of unadjusted misstatements

The table below provides details of adjustments identified during the 2021-22 audit which have not been made within the final set of financial statements. The Audit, Governance and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on total net expenditure £000	Reason for not adjusting
PPE Revaluation Reserve We identified 11 assets where the value included on the fixed asset register and in the financial statements differed from the external valuer's report. In aggregate PPE assets were overstated by £201,000.	201	(201) 201	201	Management consider the issue is not material. Error corrected in 2022-23 GL
PPE Revaluation Reserve The value included on the fixed asset register and in the financial statements for Maidstone Museum differed from the external valuer's report. As a result PPE assets were overstated by £315,000.	315	(315) 315	315	Management consider the issue is not material
PPE Revaluation Reserve For a number of valuations the asset life used in the external valuer's calculations was incorrect. As a result PPE assets were overstated by £179,000.	179	(179) 179	179	Management consider the issue is not material
Overall impact (c/f)	695	0	695	

C. Audit adjustments

Impact of unadjusted misstatements (continued)

The table below provides details of adjustments identified during the 2021-22 audit which have not been made within the final set of financial statements. The Audit, Governance and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on total net expenditure £000	Reason for not adjusting
Overall impact (b/f)	695		695	
PPE Revaluation Reserve Due to an error by the external valuer the valuation for temporary housing assets included in the financial statements was understated by £339,000.	(339)	339 (339)	(339)	Management consider the issue is not material.
Investment Property Capital Adjustment account For a number of investment property valuations the yield information used by the external valuer in calculations was either incorrect or not up to date. As a result investment property assets were overstated by £761,000.	761	(761) 761	761	Management consider the issue is not material
Heritage assets Revaluation Reserve Valuations for four heritage assets were omitted from the financial statements. As a result heritage assets were understated by £625,000.	(625)	625 (625)	(625)	Management consider the issue is not material
Overall impact (c/f)	492	0	492	

C. Audit adjustments

Impact of unadjusted misstatements (continued)

The table below provides details of adjustments identified during the 2021-22 audit which have not been made within the final set of financial statements. The Audit, Governance and Standards Committee is required to approve management's proposed treatment of all items recorded within the table below.

Detail	Comprehensive Income and Expenditure Statement £000	Statement of Financial Position £000	Impact on total net expenditure £000	Reason for not adjusting
Overall impact (b/f)	492	0	492	
Capital Grants Receipts in Advance		391		
Grant Income	(391)			
Revenue Appropriation	391			Management consider the issue is not material. Error corrected in 2022-23 GL
Capital Grants unapplied		(391)		
The financial statements include a balance of £9,000,000 for Capital Grants Received in Advance. An amount of £391,000 included in this balance should have been classified as Capital Grants Unapplied.				
Overall impact	492	0	492	

Impact of prior year unadjusted misstatements

The only prior period adjustment relates to a valuation error; the valuation for one investment property (Parkwood - Integra) was understated by £211,000. As this property has been revalued in 2021-22 there is no impact to be considered for our work on the 2021-22 financial statements.

C. Audit Adjustments

We are required to report all non-trivial misstatements to those charged with governance, whether or not the accounts have been adjusted by management.

Misclassification and disclosure changes

The table below provides details of misclassification and disclosure changes identified during the audit which have been made in the final set of financial statements.

Disclosure issue	Adjusted?
Note 1 Expenditure & Funding Analysis The EFA provides a reconciliation between the financial outturn reported to members and the closing General Fund balance per the CIES. On the EFA the financial outturn reported to members is at the column "Net expenditure chargeable to General Fund". Although the total at this column was correct, the analysis in the column was incorrect, as total expenditure at the line for "Communities Housing and Environment" had been misstated by £1,687,000 with an off-setting misstatement at the line for "Other Income & Expenditure".	✓
Note 1 Expenditure and income analysed by nature This note includes totals for gross income and gross expenditure which should reconcile to the CIES. Although the net total ("surplus/deficit on the provision of services") did agree to the CIES, there were unreconciled differences at the level of gross income and gross expenditure of approximately £300,000.	X
Note 15 Capital Grants received in advance At note 15 the lines "Grants received" and "Funding used for Capital Expenditure" are understated by £137k. There was no net impact on the balance for capitals grants received in advance.	✓
Note 16 Related Parties The note disclosure stated that the amount payable from Maidstone Property Holdings at yearend was £359k. The correct value was £545k.	X
Note 17 Property, Plant and Equipment Upon reconciling the external valuers report to the Fixed Asset Register we identified one asset (Trinity Foyer) with a value of £1.4m which had been misclassified as operational land and buildings (OLB) as the valuer had deemed this asset still under construction (AUC) at yearend. No impact on final year-end closing Total PPE balance – adjustment to the OLB and AUC classification totals was required.	✓

C. Audit Adjustments

Disclosure issue	Adjusted?
Note 18 Investment properties As series of adjustments were required to the analysis in the columns for “Investment Properties” and “Assets Under Construction”. In the column for “Investment Properties” an amount of £1,903,000 originally classified as Additions should have been disclosed under Transfers. In the column for “Assets Under Construction” the amounts disclosed at the lines for Additions and Transfers had both been misstated by £2,337,000.	✓
Note 20 Financial Instruments We identified that management had incorrectly used the ‘premature repayment rate’ when computing the fair value of long-term loans. The rate that should have been used was the ‘new loans rate’. As a result the fair value for loans disclosed at Note 20 was overstated by £1.4m.	✓
Note 20 Financial Instruments and Note 23 Debtors At Note 23 Debtors the total at the line “Other entities and individuals” had been overstated by £1,339,000 and other lines understated by an equivalent amount. This error also had an impact on Note 20 Financial Instruments, where the total for financial assets had been overstated by £1,339,000.	✓
Note 25 Creditors Note 25 included a line for “Other local authorities” – this has been amended to “Other public sector bodies”. Amounts due to Kent CC had been included at the line “Other entities and individuals”. It was agreed these amounts would more properly be disclosed at the line for “Other public sector bodies”. The amounts involved are as follows: “Other public sector bodies” Increase by c. £9m in PY and £14m in CY “Other entities and individuals” reduced by c. £9m in PY and £14m in CY	✓

C. Audit Adjustments

Disclosure omission	Adjusted?
Note 26 Provisions In the draft accounts the total per the disclosure note for provisions did not agree to the balance sheet. Amendment agreed to the disclosure note increasing the total by £168k.	✓
The financial statements were first published in July 2022. Our audit work was performed on a revised set of accounts received in January 23. We noted that the following disclosures were not updated from previous versions: • Note 31: Capital expenditure and capital financing • Note 35: Cash Flow Statement – Adjustments made to Net Surplus or deficit on the provision of services for non-cash movements.	✓
Note 35 and 36 Cash Flow statement At these notes the following prior year figures were incorrect; Note 35 - Derecognition of NCA – reported value = £3851k, correct value = 5805k Note 36 - Capital Grants credited to surplus - reported value = £5791k , correct value = £5051k Note 36 - Proceeds from sale of PPE - reported value = £1962k , correct value = £3551k	✓
Various minor changes to amounts and narrative at other disclosure notes	✓

D. Fees

We set out below our fees charged for the audit and the provision of non-audit services.

Audit fees	Proposed fee £	Final fee £
Council audit	£64,666*	TBC
Total audit fees (excluding VAT)	**£64,666**	**TBC**

The proposed fee for the audit reconciles to Note 14 in the financial statements..

*This original proposed fee excludes our work to assess the impact of the Kent Pension Fund triennial revaluation on the pensions disclosures in the financial statements. The additional fee associated with this work will be £6000.

Our final fee will be subject to agreement by Public Sector Audit Appointments.

Non-audit fees for other services	Proposed fee	Final fee
Housing benefit subsidy claim	£18,400	TBC
Total non-audit fees (excluding VAT)	**£18,400**	**TBC**

At Note 14 the total disclosed for "Fees payable for the certification of grant claims and returns during the year" is £25,000. This represents
- additional fees of £3,000 for work on the 2020-21 housing benefit subsidy claim which were not previously accrued.
- an accrual of £22,000 (management estimate of the final fee) for work on the 2021-22 housing benefit subsidy claim.

We also report other non-audit fees invoiced in the period April 2021 – November 2023, but which so not relate to the 2021-22 financial year:

Housing benefit subsidy claim 2020-21: Fee invoiced September 2022	£25,000
Housing benefit subsidy claim 2022-23: Fee instalment invoiced October 2023	£8,000

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[Date]

Dear Sirs

Maidstone Borough Council
Financial Statements for the year ended 31 March 2022

This representation letter is provided in connection with the audit of the financial statements of Maidstone Borough Council for the year ended 31 March 2022 for the purpose of expressing an opinion as to whether the financial statements are presented fairly, in all material respects in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 and applicable law.

We confirm that to the best of our knowledge and belief having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves:

Financial Statements

i. We have fulfilled our responsibilities for the preparation of the financial statements in accordance with International Financial Reporting Standards and the CIPFA/LASAAC Code of Practice on Local Authority Accounting in the United Kingdom 2021/22 ("the Code"); in particular the financial statements are fairly presented in accordance therewith.

ii. We have complied with the requirements of all statutory directions affecting the Council and these matters have been appropriately reflected and disclosed in the financial statements.

iii. The Council has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of any regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

iv. We acknowledge our responsibility for the design, implementation and maintenance of internal control to prevent and detect fraud.

v. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. Such accounting estimates include
- valuation of the net pension liability
- valuation of land and buildings
- valuation of investment property
- depreciation
- provisions
- fair value estimates
- accruals
- credit loss allowance.

We are satisfied that the material judgements used in the preparation of the financial statements are soundly based, in accordance with the Code and adequately disclosed in the financial statements. We understand our responsibilities include identifying and considering alternative, methods, assumptions or source data that would be equally valid under the financial reporting framework, and why these alternatives were rejected in favour of the estimate used. We are satisfied that the methods, the data and the significant assumptions used by us in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement or disclosure that is reasonable in accordance with the Code and adequately disclosed in the financial statements.

vi. We confirm that we are satisfied that the actuarial assumptions underlying the valuation of pension scheme assets and liabilities for IAS19 Employee Benefits disclosures are consistent with our knowledge. We confirm that all settlements and curtailments have been identified and properly accounted for. We also confirm that all significant post-employment benefits have been identified and properly accounted for.

vii. Except as disclosed in the financial statements:

    a. there are no unrecorded liabilities, actual or contingent.

    b. none of the assets of the Council has been assigned, pledged or mortgaged.

    c. there are no material prior year charges or credits, nor exceptional or non-recurring items requiring separate disclosure.

viii. Members and senior officers are requested to complete a form at yearend declaring any relevant interests or related party transactions. For the financial year 2021/22 forms were not received from one senior officer (who had left the Council) and five members. We are satisfied that there are no interests or related party transactions relating to these individuals which would need to be disclosed in the financial statements. Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards and the Code.

ix. All events subsequent to the date of the financial statements and for which International Financial Reporting Standards and the Code require adjustment or disclosure have been adjusted or disclosed.

x. We have considered the adjusted misstatements, and misclassification and disclosure changes schedules included in your Audit Findings Report. The financial statements have been amended for these misstatements, misclassifications and disclosure changes and are free of material misstatements, including omissions.

xi. We have considered the unadjusted misstatements schedule included in your Audit Findings Report. We have not adjusted the financial statements for these misstatements brought to our attention as they are immaterial to the results of the Council and its financial position at the year-end. The financial statements are free of material misstatements, including omissions.

xii. Actual or possible litigation and claims have been accounted for and disclosed in accordance with the requirements of International Financial Reporting Standards.

xiii. We have no plans or intentions that may materially alter the carrying value or classification of assets and liabilities reflected in the financial statements.

xiv. The prior period adjustments disclosed in Note 19 to the financial statements are accurate and complete. There are no other prior period errors to bring to your attention.

xv. We have updated our going concern assessment. We continue to believe that the financial statements should be prepared on a going concern basis and have not identified any material uncertainties related to going concern on the grounds that :

    a. the nature of the Council means that, notwithstanding any intention to cease the Council operations in their current form, it will continue to be appropriate to adopt the going concern basis of accounting because, in such an event, services it performs can be expected to continue to be delivered by related public authorities and preparing the financial statements on a going concern basis will still provide a faithful representation of the items in the financial statements

b. the financial reporting framework permits the entry to prepare its financial statements on the basis of the presumption set out under a) above; and

c. the council's system of internal control has not identified any events or conditions relevant to going concern.

We believe that no further disclosures relating to the Council's ability to continue as a going concern need to be made in the financial statements.

xvi. The Council has complied with all aspects of ring-fenced grants that could have a material effect on the Council's financial statements in the event of non-compliance.

Information Provided

xvii. We have provided you with:

a. access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;

b. additional information that you have requested from us for the purpose of your audit; and

c. access to persons within the Council via remote arrangements, from whom you determined it necessary to obtain audit evidence.

xviii. We have communicated to you all deficiencies in internal control of which management is aware.

xix. All transactions have been recorded in the accounting records and are reflected in the financial statements.

xx. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

xxi. We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the Council, and involves:

a. management;

b. employees who have significant roles in internal control; or

c. others where the fraud could have a material effect on the financial statements.

xxii. We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the financial statements communicated by employees, former employees, analysts, regulators or others.

xxiii. We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.

xxiv. We have disclosed to you the identity of the Council's related parties and all the related party relationships and transactions of which we are aware.

xxv. We have disclosed to you all known actual or possible litigation and claims whose effects should be considered when preparing the financial statements.

Annual Governance Statement

xxvi. We are satisfied that the Annual Governance Statement (AGS) fairly reflects the Council's risk assurance and governance framework and we confirm that we are not aware of any significant risks that are not disclosed within the AGS.

Narrative Report

xxvii. The disclosures within the Narrative Report fairly reflect our understanding of the Council's financial and operating performance over the period covered by the financial statements.

Approval

The approval of this letter of representation was minuted by the Council's Audit, Governance and Standards Committee at its meeting on 13 November 2023.

Yours faithfully

Name……………………………

Position………………………….

Date…………………………….

Name……………………………

Position………………………….

Date…………………………….

Signed on behalf of the Council